

Irish Auditing & Accounting Supervisory Authority
Annual Report 2009



MISSION

To support and enhance public confidence in the accountancy profession and in financial reporting through the exercise of effective, independent oversight and the promotion of adherence to high standards

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CHAIRPERSON'S STATEMENT

Introduction

It is with pleasure that I submit the Authority's fourth Annual Report to the Minister for Trade & Commerce, Mr. Billy Kelleher, T.D., in accordance with section 22(1) of the Companies (Auditing and Accounting) Act 2003.

Context for the Authority's work during 2009

The events and financial revelations of the last two years have had a profound effect not only on the economy but on Irish society as a whole. The scale of the losses sustained by our banks and building societies as a result of imprudent lending practices has resulted in the Exchequer having to take on €80bn of so called 'toxic' loans through the National Asset Management Agency as well as having to provide up to an estimated €32.8bn to certain of our financial institutions by way of recapitalisation, costs that may ultimately be borne by present and future taxpayers.

These events have resulted in a severe loss of confidence in our financial institutions, in those charged with their governance and in the system of financial regulation that prevailed over recent years. More widely, these events have resulted in publicly expressed concerns as to, amongst other things, the business models and governance regimes operated by the financial institutions concerned, the reliability of financial institutions' statutory financial reporting and whether the audit profession has properly discharged its legal and professional responsibilities. In addition, by virtue of the fact that a number of individuals associated with these events are members of the accountancy profession, the profession's capacity to regulate itself has, rightly, come under increased scrutiny. The foregoing has occurred at a time of continuing severe economic adjustment, characterised by a marked deterioration in the public finances, the collapse of the property and construction industries, reduced consumer demand, increased unemployment, reduced access to credit and national, as well as international, economic uncertainty. These



Karen Erwin - Chairperson

factors have added significantly to the challenges facing those charged with preparing and auditing financial statements and those promulgating associated standards.

It is against this backdrop that, during 2009, the Authority discharged its primary statutory responsibilities of:

- supervising the Prescribed Accountancy Bodies' regulation and monitoring of their members and member firms; and
- monitoring certain listed entities' statutory financial reporting.

Authority activities during 2009

Users' confidence in corporate financial reporting is essential to well-functioning financial markets. Where financial institutions are concerned, the credibility of their financial reporting is all the more vital given their importance to the economy and the range and nature of the users of those reports.

Trustworthy financial reporting that can command users' confidence depends foremost on the integrity of executive and non-executive directors and those who prepare financial reports on their behalf and on those parties' respective commitment to apply faithfully the relevant reporting framework. It also depends on appropriate levels of rigour and professional scepticism being applied by external auditors in designing and implementing audit procedures to identify material misstatement and error.

It is equally important, from the Authority's perspective, that the public can have confidence in the accountancy and audit profession. In the context of the model of supervised self regulation that currently applies to the profession, core to supporting public confidence is:

- the level of rigour and professional scepticism applied by the professional bodies in their monitoring of the quality of their member firms' audit work, particularly in the context of the audits of listed entities, and the appropriateness of those bodies' responses to identified deficiencies;
- the professional bodies' readiness and willingness to investigate possible poor performance or misconduct on the part of their members and member firms and, where investigation is judged necessary, to do so in a timely manner. Where professional bodies conclude that the investigation of particular matters are unnecessary or unwarranted, they must, in the interests of supporting public confidence in the system of supervised self regulation, be prepared to account not only to the Authority but also to the public for their decisions. In the context of the foregoing, a current example of an issue giving rise to public disquiet is the large increase in the impairments reported by financial institutions less than one year after much smaller impairments were declared by their directors and validated by audit; and
- the imposition by the professional bodies of sanctions in response to any proven instances of misconduct that are both punitive and dissuasive in nature. The professional bodies' capacity and willingness to impose such sanctions is a fundamental prerequisite to public confidence in the profession and, for its part, the Authority will have no difficulty in granting its approval for increased sanction provisions.

The final link in the chain, and the Authority's main area of influence, is the supervision and enforcement of compliance with accounting standards and the supervision of the professional bodies' monitoring and disciplinary processes respectively, both of which are discussed in further detail below.

Supervision of certain listed entities' financial reporting

As detailed in Chapter 4 of this Report, to the extent practicable having regard to its statutory remit and consistent with its risk based approach to supervision, during the course of 2009 the Authority devoted substantial resources to examining the financial reporting issues arising from certain events at Anglo Irish Bank Corporation Limited and transactions between Anglo Irish Bank Corporation Limited and Irish Life & Permanent plc. In addition to enquiring into matters coming within its remit, the Authority has also shared certain information with the Financial Regulator, Director of Corporate Enforcement, An Garda Síochána and the Institute of Chartered Accountants in Ireland's Special Investigator with a view to assisting those parties with their respective enquiries, some of which extend far beyond the Authority's remit.

Notwithstanding that these activities required the deployment of substantial professional staff resources, in quantitative terms the Authority maintained a level of review activity consistent with the previous year. As in previous years, the Authority secured required improvements in issuers' financial reporting through

engagement and persuasion rather than having to resort to more formal and costly enforcement measures. During 2009 this approach again proved effective, with issues identified during reviews being dealt with through a combination of the publication of amended financial reports and directors' undertakings to effect necessary improvements in future reports. Whilst the approach set out above remains the Authority's preferred means of securing necessary improvements, as previously publicly indicated, should circumstances arise which, in the Board's assessment, require a more formal enforcement approach, the Board will not hesitate to sanction such a course of action.

As a consequence of the approach set out above, much of the Authority's enforcement work in the area of financial reporting is low key in nature and, as such, may not be readily apparent to the users of financial reports. However, a closer inspection of issuers' financial reports demonstrates the impact that the Authority's review activity has had since its commencement in 2007. The quality of many well known listed companies' financial reports has, we believe, been considerably enhanced as a result of the Authority's scrutiny and subsequent engagement with those issuers' Boards. Examples from 2009 in that regard include one equity issuer whose annual financial report in respect of the year ended 31 December, 2009 included 13 improvements and enhancements as a direct result of the Authority's review of its previous annual financial report and the provision by another equity issuer of corrected data in respect of directors' emoluments as a consequence of having been the subject of a review by the Authority.

Supervision of the Prescribed Accountancy Bodies

Similarly, in the case of its mandate to supervise the Prescribed Accountancy Bodies, the Authority seeks to optimise its effectiveness by avoiding the necessity for formal enforcement actions, which are costly and draining on limited professional staff resources.

Rather, it is the Authority's preference to seek to resolve identified weaknesses and deficiencies in a timely manner through dialogue with the professional bodies. Nevertheless, on occasion the Authority determines it necessary or otherwise appropriate to take formal action with a view to addressing identified concerns. Examples of such measures taken during 2009 included the initiation of a further statutory Enquiry under section 23 of the Act, the attachment of Conditions to the recognitions of two accountancy bodies and the vetting of proposals by one professional body to issue audit authorisations pursuant to a previously attached Condition.

Enquiries under section 23 of the Act are costly and time consuming both for the Authority and for the Prescribed Accountancy Body concerned. Based on the Authority's experience to date the need for them can be reduced in the future through a careful and rigorous approach to the investigative and disciplinary process on the part of Prescribed Accountancy Bodies. There will continue to be the possibility that the Board will have to initiate such Enquiries but we hope that the volume of section 23 Enquiries will diminish over the coming years. However, in the event that the requisite improvements are not forthcoming the Board will continue to initiate such Enquiries.

As indicated above, the Board considered it appropriate to exercise its right to attach Conditions to the recognitions of two Recognised Accountancy Bodies during the year. Conditions are an important tool in enabling the Authority to discharge the responsibilities that have been conferred upon it by the Oireachtas and to mitigate identified risks. For that reason, the attachment of Conditions is an important tool in the Authority's regulatory armoury, as is the monitoring of ongoing compliance with those Conditions.

Parliamentary accountability

In March, 2009 Authority representatives had the opportunity to meet with the Joint Oireachtas Committee on Economic Regulatory Affairs. From the Board's perspective, this was a valuable opportunity for the Authority and the Committee to share their perspectives on a range of matters of relevance to the Authority's remit and activities.

Factors limiting the Authority's influence and capacity to take certain actions

As will be apparent from the foregoing, 2009 was a very challenging year for both the Board and staff of the Authority. Added to this challenge was the existence of a gap, across both principal pillars of the Authority's mandate, between expectations as to what the Authority should deliver and what the Authority is empowered, and equipped, to deliver. Whilst certain of the factors contributing to the gap in expectations came to prominence only as a result of the extraordinary events of recent times, their impact was, nevertheless, considerable. In addition to being discussed in further detail below, certain key limiting factors are also summarised in the Table accompanying this Statement for readers' ease of reference.

Limiting factors – statutory financial reporting

In the context of the Authority's mandate to monitor certain listed entities' statutory financial reporting the following factors, in particular, contributed to the abovementioned limitation:

- as a result of the timing and manner of implementation of the Transparency Regulations, issuers' financial reports in respect of financial years commencing before 20 January, 2007 do not come within the Authority's remit. As a consequence, whilst the treatment of loans to directors at Anglo Irish Bank Corporation Limited has given rise to concerns in respect of the bank's financial reports

dating back to 2001, the first financial report issued by the bank that came within the Authority's remit, and as a result in respect of which the Authority is empowered to seek information and explanations, was that in respect of the six month period ended 31 March, 2008;

- by virtue of not coming within scope of the Transparency Regulations, a number of Irish financial services entities' financial statements do not come within the Authority's supervisory remit. Examples in this regard include EBS, Irish Nationwide Building Society and Quinn Insurance Limited. Accordingly, the Authority has no statutory entitlement to review those entities' financial statements or to require their directors to provide information and explanations in respect of same; and
- preliminary announcements do not come within the Authority's supervisory remit. This is of significance in that, for example, in the case of Anglo Irish Bank Corporation Limited, a substantial contributory factor to concerns over the quality of listed entities' financial reporting was based on the condensed nature of that bank's preliminary announcement of 3 December, 2008, e.g. the non-disclosure in that preliminary announcement of details of certain transactions with Irish Life & Permanent plc.

Limiting factors – the accountancy profession

In the context of the Authority's mandate *vis-à-vis* the accountancy profession, the following factors in particular limited the Authority's ability to influence and to take certain actions:

- the Authority has no role in performing quality assurance inspections of audit firms. Accordingly, the only avenue open to the Authority in seeking to assess and monitor auditors' performance is through the *ex-post* review of the Prescribed Accountancy Bodies' monitoring reports.

Whilst such reviews are of some limited value in enabling the Authority to assess and comment upon the operation of the accountancy bodies' monitoring processes and procedures, the current arrangements prevent the Authority from gaining any degree of insight into the audit firms' operations, particularly in the context of their approach to, and emphasis on, audit quality. As discussed in further detail in Chapter 5 of this Report, the Board has, for this reason, previously advised the Department of Enterprise, Trade & Employment that the European Commission Recommendation on Quality Assurance should be implemented; and

- the current legislative provisions governing the performance of statutory Investigations. Whilst section 24 of the Companies (Auditing and Accounting) Act 2003 provides that the Authority may conduct Investigations into members/member firms of the Prescribed Accountancy Bodies on its own initiative, the Board is of the view that use of the provision as currently enacted could give rise to a number of undesirable outcomes. Specifically:
 - given that the Act provides for a model of supervised self regulation, under which primary responsibility for the investigation and disciplining of members and member firms resides with the professional bodies, use of the provision could, in the Board's view, give rise to the unintended consequence of seriously undermining public confidence in the Prescribed Accountancy Bodies' capacity to investigate and discipline their own members. Such an outcome would, in the Board's assessment, run counter to the intent of the Act; and
 - the practical implications of the manner in which such Investigations require to be funded give rise, in the Board's assessment,

to fundamental questions of fairness, i.e. by requiring all Prescribed Accountancy Bodies, and the Exchequer, to fund potentially highly costly investigations into the members of other bodies.

For the foregoing reasons, the Board is of the view that section 24 should be reviewed and, in particular, amended such that, in circumstances where the Authority were to initiate such an Investigation, only the PAB(s) whose member(s) or member firm(s) was/were under investigation would fund the Authority's Investigations. Such an amendment would, in the Authority's view:

- remove the potential for the Exchequer to be exposed to substantial costs (including the substantial costs associated with any litigation arising); and
- ensure that those PABs whose members or member firms are not the subject of investigation are, similarly, not exposed to potentially substantial costs.

In the context of the foregoing, and having regard to the issues of fairness that arise from the current funding arrangements, it is the Authority's view that, until such time as the legislation is reviewed and amended, investigations, where considered necessary or otherwise appropriate (barring extenuating circumstances such as, for example, where a PAB lacks the financial wherewithal or logistical capacity to undertake a large scale investigation), should be undertaken by the PAB(s) concerned, under the Authority's statutory supervision.

The Authority's thinking in this regard has been further informed by the following considerations:

- where an investigation is undertaken by a PAB, the full costs of the investigation, and

any associated litigation risk, are borne in full by the PAB concerned;

- the PABs' investigative processes have the statutory underpinning provided for by section 192A of the Companies Act 1990, which confers the PABs' investigative Committees etc. with substantial powers of investigation as well as the power to certify non co-operation to the High Court;
- in the event of an adverse finding under section 24 of the Act, the sanctions available to the Authority are the same as those available to the relevant PAB under its approved constitution; and
- in contrast to the Authority's Section 24 Regulations, the PABs' investigative and disciplinary processes have been in place for many years and have been tried and tested. The likelihood of a successful challenge to the PABs' disciplinary processes, with the associated delays that would result, are, therefore, considered to be significantly lower in circumstances where investigations are undertaken by the PABs. This is, in the Board's assessment, a major consideration where matters of genuine public concern are involved.

Limiting factors – staff resources

A further overarching limitation is the Authority's current staff resource levels, which, at 12, present significant and ongoing challenges and risks in the context of the Authority's mandate to supervise:

- 9 Prescribed Accountancy Bodies, whose aggregate membership in the State exceeds 28,000; and
- the annual and half-yearly financial reports of almost 170 listed entities.

Indeed, in the context of the Authority's governance obligations to identify, mitigate and monitor its risks on an ongoing basis, it is this risk that consistently presents the greatest concern to the Board.

The year ahead

Whilst 2010 is likely to be dominated by implementation of the EU Statutory Audit Directive, ongoing co-operation with other regulatory authorities with a view to concluding upon matters relating to Anglo Irish Bank Corporation Limited and monitoring the progression of the Institute of Chartered Accountants in Ireland's investigations into associated matters, it is, in the Board's view, important that consideration be given to addressing some of the factors contributing to the gap in expectations referred to earlier. In that context, the Board considers it particularly important that:

- the current arrangements governing the quality assurance of the audits of listed companies be reviewed. In its 2007 and 2008 Annual Reports the Board has previously expressed its view that the EU Quality Assurance Recommendation, which recommends that responsibility for quality assurance of audits of listed entities should reside with Member States' statutory oversight authorities, should be implemented. Given how out of step Ireland now is by comparison with internationally accepted best practice, the Board is more convinced than ever that this important step needs to be taken in the short term. In that context the Board was pleased to note that, in response to the consultation exercise undertaken by the Department of Enterprise, Trade & Employment during 2009, its view in this regard is shared by, amongst others, the Financial Regulator, the Office of the Director of Corporate Enforcement and the Revenue Commissioners;
- section 24 of the Companies (Auditing and Accounting) Act 2003 Act be reviewed in light of the considerations set out above; and

- consideration be given as to whether the requirements currently applying to preliminary announcements merit review in the interests of supporting and enhancing public confidence in statutory financial reporting.

Implementation of the Quality Assurance Recommendation together with an amendment to the manner in which Investigations under section 24 of the Act are funded would, in the Board's assessment, considerably enhance the Authority's ability to meet stakeholders' expectations as to what an independent statutory oversight body should be capable of delivering on.

Concluding remarks

As will be evident from the foregoing, as well as from the content of this Report, despite its size the impact that the Authority has had since its establishment four years ago has been considerable. The Authority's successes and achievements over that period have been attributable to a strong and cohesive Board, to the Chief Executive's leadership and to a team of highly committed and dedicated staff. On behalf of the Board I would like to publicly thank the staff for their ongoing contribution to the Authority's successes and to acknowledge the significant contribution made to the Board by Mr. Jim Kelly, Mr. Pat Houlihan and Mr. David Martin, whose terms of office expired in early 2009 and Mr. Donal O'Connor, who tendered his resignation from the Board in January, 2009.

On the Board's behalf, I would like to thank the Tánaiste and former Minister for Enterprise, Trade & Employment and the Minister for Trade & Commerce respectively and their officials for their ongoing support for the Authority over the course of the year. The Ministers' and Department's efforts in seeking to secure the necessary resources to enable the Authority to discharge the substantial additional

responsibilities to be conferred upon it under the EU Statutory Audit Directive are particularly appreciated.

Finally, on a personal note I would like to thank the members of the Board and its Committees for their ongoing commitment and dedication to the Authority and to the attainment of its goals and objectives.

Karen Erwin
Chairperson
30 April, 2010

Key limiting factors – Summary of key matters within and outside of the Authority's remit

	Within the Authority's remit	Outside the Authority's remit	Comment/Observations
Listed entities	<ul style="list-style-type: none"> Equity issuers whose securities have been admitted to trading on the Main Market of the Irish Stock Exchange Issuers of debt securities admitted to trading on the Main Market of the Irish Stock Exchange and which issue retail debt (i.e. denominations of less than €50,000) Closed ended Funds that have been admitted to trading on the Main Market of the Irish Stock Exchange 	<ul style="list-style-type: none"> Equity issuers whose securities have been admitted to trading on the IEX Issuers of debt securities admitted to trading on the Main Market of the Irish Stock Exchange and which issue wholesale debt (i.e. denominations of €50,000 or more) Open ended Funds Companies whose securities have not been admitted to trading on the Main Market of the Irish Stock Exchange (e.g. private companies and unlisted plcs) 	By virtue of not having qualifying listings, certain high profile entities, including, for example EBS, Irish Nationwide Building Society and Quinn Insurance Limited, do not come within the Authority's financial reporting supervisory remit.
Listed entities' financial reporting	<ul style="list-style-type: none"> Annual financial reports in respect of financial years commencing on or after 20 January, 2007 Half-yearly financial reports in respect of financial years commencing on or after 20 January, 2007 	<ul style="list-style-type: none"> Annual financial reports in respect of financial years commencing prior to 20 January, 2007 Half-yearly financial reports in respect of financial years commencing prior to 20 January, 2007 Interim Management Statements (i.e. quarterly reports) Preliminary Announcements 	In the Authority's view, the appropriateness of the current regulatory framework governing the publication of Preliminary Announcements merits review.
Role in directly reviewing the quality of the work of auditors of listed entities	No	Yes	In the Authority's view, the European Commission Recommendation on external quality assurance of auditors of public interest entities should be implemented. The effect of implementation would be to confer the Authority with a direct role in supervising the quality of listed entities' auditors' work.
Scope to conduct investigations directly into members and/or member firms of the Prescribed Accountancy Bodies	Yes. However, any such investigation must be funded as follows: <ul style="list-style-type: none"> 40% by the Exchequer; and 60% jointly by the 9 Prescribed Accountancy Bodies. 		<p>The Authority is of the view that section 24 of the Companies (Auditing and Accounting) Act 2003 should be reviewed and, in particular, amended such that any such investigations would be fully funded by the Prescribed Accountancy Body, or Bodies, whose member(s), or member firm(s), is/are being investigated.</p> <p>This, in the Authority's view, would be a considerably more equitable funding model which would, amongst other things, eliminate the Exchequer's exposure to potentially highly costly investigations and the associated litigation risk.</p>

CHIEF EXECUTIVE'S REVIEW

Introduction

As alluded to in the Chairperson's Statement, 2009 was a year during which the Authority's supervisory activities were dominated by two principal factors, namely, the ongoing impact of the economic downturn and revelations regarding certain events at Anglo Irish Bank Corporation Limited and certain transactions between Anglo Irish Bank Corporation Limited and Irish Life & Permanent plc. The year under review also saw the Authority conferred with new statutory responsibilities in the area of registration of third country auditors, a development which had a significant impact on the Authority's activities. In that context, set out below is a summary of the Authority's principal activities during the year.

Supervision of certain listed entities' statutory financial reporting

Matters relating to Anglo Irish Bank Corporation Limited and Irish Life & Permanent plc

Chapter 4 provides a detailed analysis of the work undertaken in examining the financial reporting aspects of the abovementioned events and transactions. In summary, there were three such aspects, i.e. certain inter-institutional transactions, the temporary refinancing of loans and the issue of certain loans secured on shares in Anglo Irish Bank Corporation Limited. In addition to directing a substantial volume of enquiries and information requests to the Boards concerned, the Authority sought to work in close co-operation on matters of mutual interest with the Financial Regulator and Office of the Director of Corporate Enforcement.

Level of review activity

In addition to committing substantial professional resources to examining the financial reporting aspects of the abovementioned events and transactions, the Authority succeeded in completing a total of 48 reviews of issuers' periodic financial reports. To put this level of review activity in context:



Ian Drennan - Chief Executive

- the corresponding number of reviews completed during 2008 was 51; and
- whereas reviews of annual reports, which are considerably more complex than half yearly reports, accounted for approximately 16% of reviews during 2008, reviews of annual reports during 2009 accounted for in excess of 50% of all review activity.

It is clear, therefore, that the Authority managed the substantial additional workload precipitated by the abovementioned revelations in both an efficient and effective manner.

As can be seen from Chapter 4 of this Report, the Authority's review activity during the year again secured coverage of all three categories of issuer, i.e. equity, debt and closed ended funds, with proportionately greater emphasis continuing to be placed on equity issuers in accordance with the Authority's risk based selection methodologies.

Financial institutions and other issuers primarily engaging in financial services

In addition to the institution specific matters referred to above, by way of a broader response to the heightened risks attaching to the financial reporting of financial institutions and other issuers primarily engaging in financial services, the Authority also engaged with domestic financial institutions and other relevant issuers on a range of financial reporting issues. Matters raised in this context included impairments, valuations and related party transactions.

Outcome of review activities

As a result of the Authority's review activity, a total of 229 matters were raised with issuers' Boards. A total of 33 reviews resulted in issuers' directors providing undertakings to improve the quality of future periodic financial reports. In addition, 6 reviews resulted in issuers' directors publishing amended half yearly financial reports while a further 2 reviews resulted in the publication of amended annual financial reports.

Case studies

For the first time, this year's Report includes a number of case studies, the purpose of which is to provide readers with a flavour for the type and subject matter of issues encountered during the examination of issuers' financial reports and as to how such matters were addressed in users' interests. These case studies can also be found in Chapter 4.

Registration of third country auditors

During the year under review the Authority was designated as the competent authority for the purposes of the European Communities (Transitional Period Measures in Respect of Third Country Auditors) Regulations 2009. Under those Regulations, which took effect from 26 June, 2009, the Authority is responsible for registering auditors and audit entities from certain third (i.e. non EU) countries. The effect of registration is that, for a transitional period, registered third country auditors and audit entities

may continue to issue legally valid audit opinions in the European Union.

In the period from 26 June to 31 December, 2009, the Authority received a total of 21 registration applications. Given the necessity to review applications and all supporting material, obtain clarification and additional information as considered necessary and to work closely and on an ongoing basis with the Authority's EU counterparts with a view to ensuring a consistent EU wide approach to registration practice, these additional responsibilities had a significant impact on the Authority's workload.

Supervision of the Prescribed Accountancy Bodies

Supervisory reviews and approvals

Whilst the aforementioned additional responsibilities in respect of third country auditors had a significant impact on the Authority's operations, the Authority nevertheless:

- completed supervisory reviews of 2 Prescribed Accountancy Bodies during the year. In addition, a further 2 reviews were in progress at year end; and
- granted its approval in respect of 12 proposed amendments to the Prescribed Accountancy Bodies' constitutions. Similarly, at year end the approval process was ongoing in respect of a further 37 matters.

Complaints and referrals to the section 23 process

A total of 21 complaints relating to the Prescribed Accountancy Bodies or members of the profession were received during the year, with a total of 18 complaints being closed during the same period.

In addition, having examined certain matters on their own initiative (i.e. as opposed to on foot of receipt of a complaint), Authority staff tabled one

matter to the Board with a recommendation that it be referred to the section 23 process, i.e. with a view to establishing whether a Prescribed Accountancy Body has complied with its approved investigation and disciplinary procedures. The Board accepted the Executive's recommendation in this regard with the result that, as at 31 December, 2009, a total of 3 section 23 Enquiries were in progress.

Supervision of the Institute of Chartered Accountants in Ireland's response to events at Anglo Irish Bank Corporation Limited

Further to the Board's decision in December, 2008 to appoint an observer to monitor the Institute's Complaints Committee's response to the role that any Institute members/member firms may have played in events at the bank, the Authority's observer attended 9 meetings of the Complaints Committee during the year. In addition, Authority staff met on a number of occasions with the Special Investigator appointed by the Committee to investigate the matters in question. At year end, the Special Investigator's enquiries were ongoing. This topic, including details of the Special Investigator's mandate and powers, is discussed in further detail in Chapter 3 of this Report.

Advisory & advocacy

Consistent with its mandates to promote adherence to high professional standards in the auditing and accountancy profession and to act as a specialist source of advice to the Minister, the Authority continued its advisory and advocacy activities throughout the year.

Advisory

During the year the Authority continued to provide advice and assistance to the Department of Enterprise, Trade & Employment in the context of its responsibility to transpose the EU Statutory Audit Directive. On a related matter, the Authority also provided a response to the Department's consultation on the matter of the EU Quality Assurance Recommendation, in which the Authority

expressed the view that the Recommendation should be implemented. Other matters in respect of which the Authority provided assistance and advice included implementation of the European Commission Decision on transitional arrangements for auditors and audit entities from certain third countries (as referred to above) and proposals to permit certain parent undertakings to use US accounting standards for a transitional period, the latter of which were subsequently legislated for in the Companies (Miscellaneous Provisions) Act 2009.

Advocacy

In addition to routine advocacy activities such as delivering presentations to interested parties and contributing articles to professional journals, the Authority took the initiative of publishing its observations on certain financial reporting matters in early 2009. The document, which was developed for issuers' Boards' and Audit Committees' benefit, was prepared against a backdrop of significant uncertainty against which issuers were faced with preparing financial reports.

In response to the high level of positive feedback received from stakeholders, the Authority decided to prepare a similar document for use in the context of issuers' preparation of their 2009 financial reports and, at year end, the development of this second document was at an advanced stage. The issues dealt with in those documents are discussed in further detail in Chapter 5 of this Report.

Concluding remarks

As a result of a combination of the impact of the high profile revelations regarding Anglo Irish Bank Corporation Limited and Irish Life & Permanent plc, the financial reporting issues associated with the banking crisis more generally, the conferral of additional statutory responsibilities in the area of third country auditors and the increased risks posed to preparers and auditors of financial reports by the effects of the domestic and international economic

downturns, 2009 was a year in which the Authority and its staff faced unprecedented challenges and pressures.

Against that backdrop, and as is evident from the analysis set out in this Report, those challenges were met head on by a professional and dedicated staff who are committed to the ongoing attainment of the Authority's goals and objectives. I would like to take this opportunity to publicly acknowledge their continued commitment, dedication and professionalism and to thank the Authority's Chairperson and my Board colleagues for their ongoing support, guidance and counsel.

Ian Drennan
Chief Executive
30 April, 2010

2009 AT A GLANCE

Statutory remit

Supervision of the Prescribed Accountancy Bodies ('PABs')

- The Authority's supervisory constituency comprises of nine PABs. At 31 December, 2009:
 - the PABs' aggregate membership resident in the State stood at 28,547 (an increase of 4% on the corresponding statistic at 31 December, 2008); and
 - the PABs' aggregate student membership resident in the State stood at 18,644 (a decrease of 1% on the corresponding statistic at 31 December, 2008).

Supervision of certain listed entities' statutory financial reporting

- At 31 December, 2009, the Authority's financial reporting review constituency comprised of approximately 170 listed entities ('issuers'). Whilst the Authority's remit in this regard includes the statutory financial reporting of certain banks, a number of other financial institutions (e.g. Building Societies) do not come within the Authority's remit.
- During the year under review issuers published a total of 304 periodic financial reports, an increase of 27% on the corresponding statistic for the year ended 31 December, 2008.

Registration of third country auditors

- During the course of the year the Authority was designated as the competent authority for the purpose of the European Communities (Transitional Period Measures in Respect of Third Country Auditors) Regulations 2009. This designation resulted in the conferral of additional statutory responsibilities upon the Authority in the area of registration of auditors from certain third (i.e. non EU) countries.

Supervision of the PABs and the registration of third country auditors

Statutory Enquiries

- During the year under review the Authority:
 - initiated 1 new Preliminary Enquiry;
 - completed 1 Preliminary Enquiry and initiated 1 new Full Enquiry on foot of a finding of a *prima facie* case by the associated Preliminary Enquiry Committee;
 - completed 1 Full Enquiry; and
 - further progressed 1 Full Enquiry that had been ongoing at the beginning of the year.

Attachment of Conditions

- The Authority attached Conditions to the recognitions of 2 Recognised Accountancy Bodies ('RABs') during the year under review.
- Pursuant to a Condition previously attached to the recognition of one RAB - whereby the RAB concerned is required to submit all proposals to issue new audit authorisations to the Authority for examination in advance of granting such authorisations - the Authority examined 11 such proposals during the year.

Approvals

- During the course of 2009 the Authority granted its approval in respect of 12 proposed amendments to PABs' constitutional documents. The Authority also declined to grant its approval in a further 1 instance. At year end, the approval process was ongoing in respect of an additional 37 matters (i.e. proposed amendments to PABs' constitutional documents).

Supervisory reviews

- The Authority completed supervisory reviews of 2 PABs during the year. At year end a further 2 reviews were in progress.

Registration of third country auditors

- During the period between the commencement of the Regulations (26 June, 2009) and year end, a total of 21 applications for third country registration had been received.

Financial reporting supervision

Reviews

- In the year to 31 December, 2009, the Authority completed reviews of a total of 48 periodic financial reports.

Matters raised with issuers’ directors

- Arising from the aforementioned 48 reviews, a total of 229 matters were raised with issuers’ directors. The average number of financial reporting issues raised per full scope review was 8.

Corrective/remediating actions

- As a result of the Authority’s review activity:
 - 33 reviews resulted in issuers’ directors providing undertakings in respect of future periodic financial reports, i.e. to effect certain improvements;
 - 6 reviews resulted in issuers’ directors publishing amended half yearly financial reports; and
 - 2 reviews resulted in issuers’ directors publishing amended annual financial reports.

Financial reporting of financial institutions and other issuers primarily engaging in financial services

- In accordance with the Authority’s risk-based selection processes, the financial reporting of financial institutions and other issuers primarily engaging in financial services became a significant focus during the year. Matters in respect of which the Authority engaged with financial institutions’ directors and the Boards of other issuers primarily engaging in financial services included:

- impairments;
- valuations;
- related party disclosures; and
- miscellaneous other financial reporting matters, including, for example, accounting policies, concentration risk, assets classified as held for sale, redemption of subordinated liabilities and repossessed assets.

Anglo Irish Bank Corporation Limited (‘Anglo’) and Irish Life & Permanent plc (‘IL&P’)

- In the context of certain information that came into the public domain in late 2008 and early 2009 regarding certain events at Anglo and certain transactions between Anglo and IL&P, the Authority:
 - engaged with Anglo’s directors on the financial reporting issues arising from:
 - certain inter-institutional transactions with IL&P;
 - temporary refinancing of loans; and
 - certain loans secured on Anglo shares;
 - engaged with IL&P’s directors on the financial reporting issues arising from certain inter-institutional transactions with Anglo;
 - secured certain undertakings from Anglo’s directors in respect of future periodic financial reports;
 - secured certain undertakings from IL&P’s directors in respect of future periodic financial reports;

- ❑ continued its ongoing supervision of the Institute of Chartered Accountants in Ireland's regulatory response to the role that any of its members/member firms may have played in the above events and/or transactions – the Authority's supervisory activities in this regard included attendance at 9 meetings of the Institute's Complaints Committee, which meets in private, as well as a number of meetings with the Special Investigator charged with investigating these matters; and
- ❑ shared certain information regarding the above matters with the Financial Regulator, the Director of Corporate Enforcement and An Garda Síochána as well as with the Institute of Chartered Accountants in Ireland's Special Investigator.

Advisory & advocacy

Advisory

- During 2009 the Authority provided its advice to the Ministers for Enterprise, Trade & Employment and Trade & Commerce respectively and to their officials on a range of matters including:
 - ❑ the transposition of the EU Statutory Audit Directive;
 - ❑ the implementation of the European Commission Decision on the transitional arrangements for certain third country auditors and audit entities;
 - ❑ the European Commission Recommendation on external quality assurance of auditors of public interest entities;
 - ❑ proposals to permit certain parent undertakings to use US accounting standards; and

- ❑ proposals by the US Public Company Accounting Oversight Board to conduct inspections of Irish audit firms.

Advocacy

- In the context of the backdrop of uncertainty against which issuers were faced with preparing their 2008 annual financial reports, and with a view to providing assistance to issuers' Boards and Audit Committees, the Authority published its observations of certain financial reporting matters in January 2009. At year end, work was at an advanced stage on a similar document in respect of issuers' 2009 financial reports.
- During the year the Authority responded to in excess of 180 enquiries from members of the public regarding various aspects of its role and functions and other matters of relevance to the Authority's remit.
- The Authority continued its policy of making staff members available to deliver lectures and information presentations to interested parties, with a number of lectures/presentations being delivered during the year as well as the contribution of a number of articles to the professional press.

Governance

1. Legal structure

Pursuant to the provisions of section 5 of the Companies (Auditing and Accounting) Act 2003 ('the Act')¹, the Irish Auditing and Accounting Supervisory Authority ('the Authority' / 'IAASA') discharges its functions and exercises its powers through a company limited by guarantee designated for that purpose by the Minister for Trade & Commerce ('the Minister')².

2. Company membership

In accordance with the Act, the following are members of the company:

Table 1: Members of the Authority

Members of the Authority	
Association of Chartered Certified Accountants*	Institute of Chartered Accountants of Scotland*
Association of International Accountants*	Institute of Incorporated Public Accountants*
Chartered Institute of Management Accountants*	Irish Association of Investment Managers
Chartered Institute of Public Finance & Accountancy*	Irish Business & Employers' Confederation
Director of Corporate Enforcement	Irish Congress of Trade Unions
Financial Regulator	Irish Stock Exchange
Institute of Certified Public Accountants in Ireland*	Law Society of Ireland
Institute of Chartered Accountants in England & Wales*	Pensions Board
Institute of Chartered Accountants in Ireland*	Revenue Commissioners

* Denotes a Prescribed Accountancy Body

¹ A copy of the Act can be accessed on the Authority's website at <http://www.iaasa.ie/legislation/index.htm>

² While the Act refers to the Minister for Enterprise, Trade & Employment, during the year under review the Government had delegated all Ministerial functions provided for by the Act to the Minister. This delegation was effected by the (i) Department of Enterprise, Trade & Employment (Delegation of Ministerial Functions)(No. 2) Order 2008 (S.I. No. 290 of 2008) (in respect of Mr. John McGuinness, TD); and (ii) Department of Enterprise, Trade & Employment (Delegation of Ministerial Functions)(No. 3) Order 2009 (S.I. No. 248 of 2009) (in respect of Mr. Billy Kelleher, TD). The text of both Statutory Instruments can be accessed at www.iaasa.ie/legislation/index.htm

3. Governance

3.1 Board of Directors – method of appointment

In accordance with the provisions of section 11 of the Act, the Authority is governed by a Board of 15

directors, 14 of whom are appointed by the Minister having been nominated by those entities set out in the Table below. The remaining director is the Chief Executive, who is appointed by the aforementioned 14 directors.

Table 2: Board of Directors – nominating bodies

Nominating bodies	Nominees
Minister	2 ³
Prescribed Accountancy Bodies (jointly by agreement)	3
Director of Corporate Enforcement	1
Financial Regulator	1
Irish Association of Investment Managers	1
Irish Business & Employers’ Confederation	1
Irish Congress of Trade Unions	1
Irish Stock Exchange	1
Law Society of Ireland	1
Pensions Board	1
Revenue Commissioners	1
Total	14

As further stipulated by the Act, a maximum of five directors, including the Chief Executive, may be members of the PABs.

³ The Minister’s nominees include the Chairperson of the Authority.

3.2 Appointment/reappointment of Board members during the year

During the year the following directors were appointed (or reappointed) to the Board:

Table 3: Details of appointments and reappointments to the Board during the year

Director	Date appointed	Nominating body	Reason for vacancy	Term
Marie Daly	3 January, 2009	Irish Business & Employers' Confederation	Expiration of Ms. Daly's previous term of office	3 years
Sean Hawkshaw	3 January, 2009	Irish Association of Investment Managers	Expiration of Mr. Hawkshaw's previous term of office	3 years
Brendan Kennedy	3 January, 2009	Pensions Board	Expiration of Mr. Kennedy's previous term of office	3 years
Tadhg O'Connell	3 January, 2009	Revenue Commissioners	Expiration of Mr. Jim Kelly's term of office	3 years
Brian Shiels	3 January, 2009	n/a – Ministerial nominee	Expiration of Mr. Pat Houlihan's term of office	3 years

3.3 Board of Directors as at 31 December, 2009

As at 31 December, 2009 the composition of the Authority's Board of Directors was as follows:

Table 4: Composition of Board at year end

Board member	Occupation	Nominating body
Ms. Karen Erwin (Chairperson)	Founder & Principal, Erwin Mediation Services	Minister for Trade & Commerce
Mr. Ian Drennan*	Chief Executive, IAASA	Other directors
Mr. Paul Appleby	Director of Corporate Enforcement	Director of Corporate Enforcement
Ms. Helene Coffey	Principal, Coffey & Associates, Solicitors	Law Society of Ireland
Ms. Marie Daly	Head of Legal & Regulatory Affairs, Irish Business & Employers' Confederation ('IBEC')	IBEC
Mr. Michael Deasy*	Senior Advisor, Financial Regulator	Financial Regulator
Mr. Sean Hawkshaw	Managing Director, KBC Asset Management Limited	Irish Association of Investment Managers
Mr. Tony Kelly*	Partner, Byrne Curtin Kelly, Certified Public Accountants & Registered Auditors	Prescribed Accountancy Bodies
Mr. Brendan Kennedy	Chief Executive, Pensions Board	Pensions Board
Mr. Tadhg O'Connell	Principal Officer, Revenue Commissioners	Revenue Commissioners
Senator Joe O'Toole	Member of Seanad Éireann (Upper House of Parliament)	Irish Congress of Trade Unions
Mr. Gerard Scully	Director of International Primary Markets, Irish Stock Exchange	Irish Stock Exchange
Mr. Brian Shiels	Company director	Minister for Trade & Commerce
Vacant ⁴	n/a	Prescribed Accountancy Bodies
Vacant ⁴	n/a	Prescribed Accountancy Bodies

* Denotes membership of a Prescribed Accountancy Body

⁴ The vacant PAB nominee positions on the Board arose as a consequence of (i) the expiration of Mr. David Martin's term of office on 2 January, 2009; and (ii) Mr. Donal O'Connor's resignation from the Board on 21 January, 2009. The nomination of replacement PAB directors is a matter for the PABs.

3.4 Board procedures

The Board holds regular meetings and its procedures further provide for the convening of unscheduled meetings should the need arise in order to conduct the Authority's business. Board members receive regular and timely information in a form and of a quality appropriate to enable them to discharge their duties.

The Board has put in place a formal Schedule of matters reserved specifically to it for decision, which covers key areas of policy and the Authority's statutory functions and powers. Certain matters are delegated to Board Committees, as outlined in section 4 below, and the Board has also put in place a system of formal delegations of authority to the Chief Executive.

Service on a Statutory Board such as the Authority's requires integrity, independence, objectivity and good faith on the part of Board members. Whilst

it is recognised that members of the Board have responsibilities to their nominating organisations, their overriding responsibility as directors of the Authority is to act in accordance with the relevant legislation and to act in, and protect and promote, the best interests of the Authority. In this regard, all Board members bring independent judgement to bear on issues dealt with by the Board. The Board has a formal policy in place for dealing with conflicts of interest that may arise, including disclosure obligations and requirements that directors absent themselves from any discussions or decisions in respect of any such conflicts.

3.5 Board meetings

During the year, the Board held 10 scheduled meetings and one unscheduled meeting. The membership of the Authority's Board of Directors during the year, together with details of the number of meetings attended by each director, is set out in the Table below.

Table 5: Directors' attendance at Board meetings

Director	Meetings attended/ Meetings eligible to attend
Ms. Karen Erwin (Chairperson)	11/11
Mr. Ian Drennan (Chief Executive)	11/11
Mr. Paul Appleby	10/11
Ms. Helene Coffey	8/11
Ms. Marie Daly	10/11
Mr. Michael Deasy	10/11
Mr. Sean Hawkshaw	8/11
Mr. Brendan Kennedy	8/11
Mr. Tony Kelly	8/11
Mr. Tadhg O'Connell	9/11
Senator Joe O'Toole	8/11
Mr. Gerard Scully	8/11
Mr. Brian Shiels	9/11

Board members



Ms. Karen Erwin
(Chairperson)



Mr. Ian Drennan
(Chief Executive)



Mr. Paul Appleby



Ms. Helene Coffey



Ms. Marie Daly



Mr. Michael Deasy



Mr. Sean Hawkshaw



Mr. Tony Kelly



Mr. Brendan Kennedy



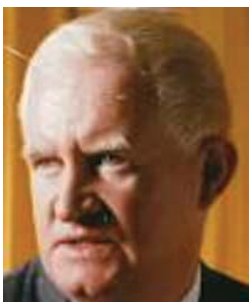
Mr. Tadhg O'Connell



Senator Joe O'Toole



Mr. Gerard Scully



Mr. Brian Shiels



Secretary:
John O'Malley

4. Committees

The Board has established a number of Committees to assist it in discharging its functions and responsibilities. All Committees have written terms of

reference and report regularly to the Board. Details of Committees' mandates and memberships are set out in the Table below.

Table 6: Board Committees – mandates and membership

Committee	Mandate	Membership
Audit	Monitoring the integrity of the Authority's financial statements, the effectiveness of the Authority's internal control and risk management systems and monitoring and reviewing the effectiveness of the internal and external audit processes.	Michael Deasy (Chair) ⁵ Helene Coffey Tadhg O'Connell ⁶
Remuneration	Assessing the performance of the Chief Executive and making recommendations to the Board regarding the Chief Executive's and directors' remuneration.	Brendan Kennedy (Chair) ⁷ Paul Appleby Karen Erwin Brian Shiels
Section 23 Committees	In accordance with the provisions of section 23 of the Act and the Companies (Auditing and Accounting) Act, 2003 (Procedures Governing the Conduct of Section 23 Enquiries) Regulations, 2007 ('the Section 23 Regulations' ⁸ , the Authority from time to time establishes Preliminary Enquiry Committees and Enquiry Committees for the purpose of determining whether a Prescribed Accountancy Body has complied with its approved investigation and disciplinary procedures. Whilst section 23 Committees report to the Board on a regular basis, such reporting is concerned mainly with the progress of Enquiries and other important issues relevant to the overall governance of the Authority (e.g. matters pertaining to litigation risk etc.). The Board does not receive reports regarding the subject matter of Enquiries as Committees operate independently of the Board and Executive in discharging their investigative mandates.	See Chapter 3 for further detail on the Authority's section 23 enquiry activities during the year.

⁵ Following Mr. Donal O'Connor's resignation from the Board in January, 2009, Mr. Michael Deasy was appointed as Chair of the Committee (in March 2009).

⁶ Following the expiration of Mr. Jim Kelly's term of office as a member of the Board in January, 2009, Mr. Tadhg O'Connell was appointed to the Committee (in March 2009).

⁷ Following the expiration of Senator Joe O'Toole's term of office as a Committee member, Mr. Brendan Kennedy was appointed as Chair of the Committee. Further, Mr. Brian Shiels was appointed to the Committee (in March 2009).

⁸ The Section 23 Regulations can be accessed on the Authority's website at http://www.iaasa.ie/legislation/si667_2007.pdf

5. Public sector governance obligations

The Board is committed to operating and maintaining the highest standards of corporate governance and to ensuring compliance with the Authority's various legal and other obligations. As a Body established under statute, the Authority is subject to the provisions of the Code of Practice for the Governance of State Bodies ('the Code'), as issued by the Department of Finance and revised during the year under review. The Code sets out the principles of corporate governance applicable to State bodies. The Authority's directors and senior management are also subject to the provisions of the Ethics in Public Office Acts, which require, amongst other things, the annual disclosure of any interests that could materially influence them in relation to the performance of their official functions. Further information regarding the steps taken by the Authority to comply with its governance obligations is provided in Chapter 6 of this Report.

CHAPTER 2

*Principal goals &
organisational structure*

Principal goals & organisational structure

1. Principal goals

1.1 Work Programme 2009-11

In accordance with section 13 of the Act, the Authority developed a draft Work Programme covering the three year period 2009-11 and issued same for public consultation in November, 2008.

The draft Work Programme was drawn up having regard to, amongst other considerations:

- the Authority's objects, as set out in section 8 of the Act (as amended);
- the Authority's functions, as set out in section 9 of the Act (as amended);
- the Authority's powers, as set out in section 10 of the Act (as amended);
- ancillary considerations, including the Authority's obligations and responsibilities as a statutory body and as a company incorporated under the Companies Acts;
- an analysis of the environment within which the Authority operates; and
- the resources available to the Authority.

1.2 Principal Goals

Based on the foregoing, the draft Work Programme set out the following as being the Authority's key strategic goals for the period 2009 to 2011:

- i. to support and enhance public confidence in the accountancy profession through effective, independent supervision and, where appropriate, statutory Enquiry and Investigation;
- ii. to support and enhance public confidence in financial reporting through the exercise of

effective, independent supervision and, where appropriate, enforcement action;

- iii. to support and enhance public confidence in the accountancy profession and in financial reporting through the promotion of adherence to high professional standards and the provision of high quality advice to the Minister; and
- iv. to provide a consistent high standard of service to all stakeholders.

1.3 Developments during the year under review of relevance to the Work Programme

During the year under review:

- the Authority was designated as the competent authority for the purposes of the European Communities (Transitional Period Measures in Respect of Third Country Auditors) Regulations 2009⁹; and
- the extent of the additional functions and responsibilities to be conferred on the Authority upon transposition of the revised European 8th Company Law Directive¹⁰ ("Statutory Audit Directive") became somewhat clearer.

The significance of the latter is such that the Authority considered it appropriate to defer finalisation of the Work Programme pending what it believed was the imminent transposition of the Directive.

1.4 Structure of this Report

The Authority's activities during the year in seeking to achieve Goals i to iv above are elaborated upon in Chapters 3 to 6 of this Report.

⁹ S.I. No. 229 of 2009, which gave effect to European Commission Decision 2008/627/EC.

¹⁰ Directive 2006/43/EC.

2. Organisational structure

2.1 Overview

In reflecting the work streams that flow from the foregoing goals, the Authority is structured into four Units, i.e.:

- Regulatory & Monitoring Supervision, which is concerned principally with supervision of the Prescribed Accountancy Bodies, registration of third country auditors and audit entities and ancillary activities;
- Financial Reporting Supervision, which is concerned principally with financial reporting review and ancillary activities;
- Legal Services, which, in addition to providing in-house legal advice and related services to the Authority, provides a Secretariat to the Board and to certain of its Committees; and

- Finance & Administration, which provides corporate services support to the Authority.

While many of the activities flowing from the Authority’s goals fall logically into the preceding structure, it is also the case that the nature of certain activities, taken together with the Authority’s size, is such that more than one Unit may be involved in certain activities.

2.2 Approved staff complement

In accordance with the provisions of section 17(2) of the Act, the numbers, grades, and terms and conditions of the Authority’s staff shall be determined by the Authority with the approval of the Minister, given with the consent of the Minister for Finance. Accordingly, any amendments to the Authority’s approved staff complement require both Ministers’ prior approval. Details of the Authority’s approved and actual staff complements are set out in the Table below.

Table 7: Approved and actual staff complements

	Approved	Actual ¹¹
Chief Executive	1	1
Heads of Function	3	3
Project Managers - Professional Staff (Accountants)	6	5
Head of Finance & Administration	1	1
Administrative Executive	2	1
Clerical Support Staff	2	1
Total	15	12

The difference between approved and actual staff complements since the Authority’s establishment had been attributable to a combination of the:

- i. considerable difficulties that the Authority had encountered in recruiting suitably experienced professional staff at the salary levels approved for those posts; and

- ii. Authority’s policy of recruiting administrative support staff in line with the increase in its workload.

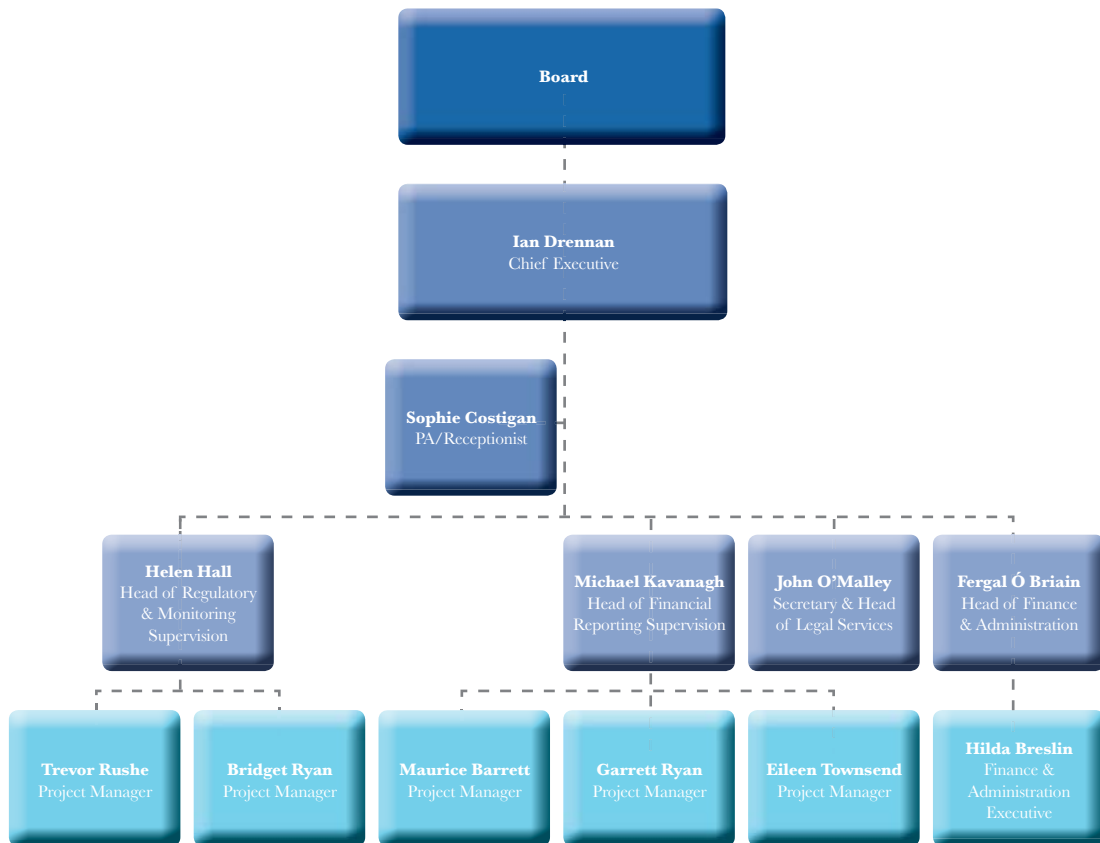
While current economic conditions are such that, were the Authority in a position to recruit professional staff, the recruitment of such staff would be expected to be considerably less problematic

¹¹ At 31 December, 2009.

than has previously been experienced, the Authority is currently precluded from all recruitment by Government Decision¹².

2.3 Organisational structure

The Authority’s organisational structure as at 31 December, 2009 was as set out in the organisation chart below.



¹² Government Decision S180/20/10/0964B of 8 July, 2008 on public service expenditure.

CHAPTER 3

*Supervision of the Prescribed
Accountancy Bodies' regulation
and monitoring of their members
and the registration of third
country auditors and audit entities*

Supervision of the Prescribed Accountancy Bodies' regulation and monitoring of their members and the registration of third country auditors and audit entities

1. Introduction

This Chapter provides a summary of the activities undertaken by the Authority during the year in seeking to achieve its mission of supporting and enhancing public confidence in the accountancy profession through the exercise of effective, independent oversight of the nine Prescribed Accountancy Bodies' ('PABs')¹³ regulation and monitoring of their members.

Also outlined in this Chapter is the work performed by the Authority during the year on foot of having been designated as competent authority for the registration of third country auditors and audit entities under certain transitional arrangements introduced by the European Commission.

Activities in addition to those referred to above in which the Authority engaged during the year in the furtherance of its statutory mandate and mission included co-operation with its EU and international counterparts as well as with other national and EU authorities and co-operation in the development of auditing and ethical standards.

The remainder of this Chapter is divided into three sections, i.e.:

- supervision of the PABs (sections 2 to 9 refer);
- registration of third country auditors and audit entities (section 10 refers); and

- other activities (section 11 refers).

2. Overview of supervisory activities

2.1 Legislative Context

The context for the Authority's legislative functions in respect of the PABs was set out in detail in the Authority's first Annual Report¹⁴ and is not, therefore, reproduced in this Report. In summary, the Act provides that the Authority's principal functions insofar as they relate to the PABs include:

- granting approval of the PABs' constitutions and other related instruments, including, for example, the Rules, Regulations and Standards applying to those bodies' members and for all proposed amendments thereto;
- supervising the operation of the PABs' investigation and disciplinary processes; and
- supervising the manner in which the Recognised Accountancy Bodies ('RABs')¹⁵ monitor their members and member firms.

2.2 Principal supervisory activities

During the year under review, the Authority's supervisory activities in respect of the PABs fell broadly into the following principal categories:

- i. statutory Enquiries;
- ii. attachment of Conditions to the recognitions of RABs;

¹³ The nine PABs are the:

- Association of Chartered Certified Accountants (ACCA);
- Association of International Accountants (AIA);
- Chartered Institute of Management Accountants (CIMA);
- Chartered Institute of Public Finance & Accountancy (CIPFA);
- Institute of Chartered Accountants in England & Wales (ICAEW);
- Institute of Chartered Accountants in Ireland (ICAI);
- Institute of Chartered Accountants of Scotland (ICAS);
- Institute of Certified Public Accountants in Ireland (ICPAI); and
- Institute of Incorporated Public Accountants (IIPA).

¹⁴ The Authority's first Annual Report can be accessed at <http://www.iaasa.ie/publications/index.htm>

¹⁵ Six of the nine PABs are also RABs. A RAB is a body that has been recognised for the purposes of section 187 of the Companies Act 1990. RABs are permitted to register or license their members/member firms for the purpose of entitling such persons/firms to practice as auditors. The six RABs are ACCA, ICAEW, ICAI, ICAS, ICPAI and IIPA.

- iii. supervision of the Institute of Chartered Accountants in Ireland's ('ICAI') response to events at Anglo Irish Bank Corporation Limited and Irish Life & Permanent plc;
- iv. approval related activities;
- v. complaints handling;
- vi. supervisory reviews; and
- vii. PABs' annual return process.

the purpose of determining whether PABs have complied with their approved investigation and disciplinary procedures. The Authority has also published detailed procedures to be followed in the conduct of such Enquiries (these procedures are set out in the Companies (Auditing and Accounting) Act 2003 (Procedures Governing the Conduct of Section 23 Enquiries) Regulations 2007)¹⁶ ('Section 23 Regulations'). A more detailed overview of the section 23 process was set out in the Authority's 2007 Annual Report, which can be accessed on the Authority's website¹⁷.

3. Statutory Enquiries

3.1 Section 23 of the Act

Under section 23 of the Act, the Authority is empowered to initiate statutory Enquiries for

3.2 Section 23 Enquiries

The Authority's section 23 Enquiry activity during the year is summarised in the Table below.

Table 8: Summary of section 23 Enquiry activity - 2009

	PAB	At Preliminary Enquiry Committee Stage	At Enquiry Committee Stage	Total
Section 23 Enquiries ongoing at 1 January, 2009	ICAI	1	2	3
Preliminary Enquiries completed during the year	ICAI	(1)		(1)
Full Enquiries initiated during the year on foot of <i>prima facie</i> cases having been found by a Preliminary Enquiry Committee	ICAI		1	1
New Preliminary Enquiries initiated during the year ¹⁸	ICAI	1		1
Full Enquiries completed during the year	ICAI		(1)	(1)
Section 23 Enquiries ongoing at 31 December, 2009	ICAI	1	2	3

¹⁶ The text of the Regulations is available at http://www.iaasa.ie/legislation/si667_2007.pdf

¹⁷ http://www.iaasa.ie/publications/Annual_Report2007.pdf

¹⁸ Initiated on the Authority's initiative as opposed to on foot of receipt of a complaint

3.3 Subject matter of section 23 Enquiries

As summarised in the Table above, a total of four¹⁹ Enquiries were in progress at some point during the year under review. Set out in the Table below is a

more detailed narrative on the matters with which those Preliminary Enquiry Committees ('PECs') and Enquiry Committees ('ECs') were, or are, concerned.

Table 9: Summary of matters with which PECs and ECs were, or are, concerned

PEC 1/2008	<p>This PEC was formally constituted in 2008 and held 3 meetings during 2009 before concluding its work.</p> <p>The Committee's mandate was to determine, on a preliminary basis, whether the ICAI had complied with its approved investigation and disciplinary procedures. Specifically, the Committee enquired into whether the ICAI complied with its approved Bye-laws in the manner in which it brought a complaint to its Complaints Committee for direction, the effect of which action, if proven, could have resulted in the complainant being denied recourse to the Independent Reviewer.</p> <p>In June, 2009, the Committee determined that there was a <i>prima facie</i> case and, on that basis, the matter was referred to an EC for Full Enquiry (see also EC BS/2009 below).</p>
EC BS/2009	<p>This EC, which was formally constituted in late 2009, is conducting the Full Enquiry that resulted from the finding of a <i>prima facie</i> case by the associated PEC (see PEC 1/2008 above). The Committee met on 1 occasion during the year and its work was ongoing at year end.</p>
PEC MD/2009	<p>This PEC was established in December, 2009 following the referral of certain concerns to the Authority's Board by the Authority's Executive.</p> <p>The Committee's mandate is to determine, on a preliminary basis, whether the ICAI has complied with its approved investigation and disciplinary procedures. Specifically, the Committee is enquiring into, amongst other matters, whether the ICAI:</p> <ul style="list-style-type: none"> ■ may have failed to properly investigate whether, in acting as auditor (to a listed company), an ICAI member firm may have failed to comply with that Institute's standards; and ■ may have failed to treat a complainant as a 'Complainant', as defined in the Bye-laws, which, if proven, could have resulted in the complainant being denied certain rights provided for by the Bye-laws. <p>At year end, the Committee's enquiries were ongoing.</p>
EC HC/2009	<p>This EC, which was formally constituted in December 2008, is conducting the Full Enquiry that resulted from the finding of a <i>prima facie</i> case by the associated PEC. The Committee held 10 meetings during the year.</p> <p>The Committee is conducting a Full Enquiry with a view to determining whether the ICAI complied with its approved investigation and disciplinary procedures. Specifically, the Committee is enquiring into whether, amongst other matters, in processing a complaint received, the ICAI complied with its approved Bye-laws and, in particular, with reference to:</p> <ul style="list-style-type: none"> ■ its consideration as to whether the complaint was one that gave rise to, or included questions of, public concern or was of complexity or importance; ■ the quorum and composition of the Complaints Committee when it considered the complaint; and ■ certain assertions made regarding that Institute in a newspaper article. <p>At year end, the EC's enquiries were ongoing.</p>
EC GS/2009	<p>This EC, which was formally constituted during 2009, conducted a Full Enquiry that resulted from the finding of a <i>prima facie</i> case by the associated PEC. The Committee held 5 meetings during the year before concluding its work.</p> <p>The Committee's mandate was to conduct a Full Enquiry with a view to determining whether the ICAI complied with its approved investigation and disciplinary procedures. Specifically, the Committee enquired into whether the ICAI's:</p> <ul style="list-style-type: none"> ■ Complaints Committee acted in breach of the Institute's Bye-laws by failing to give sufficient reasons for its decision to a complainant; and ■ Independent Reviewer acted in breach of the Institute's Bye-laws by failing to give reasons to the same complainant as to the basis upon which the Independent Reviewer had concluded that: <ul style="list-style-type: none"> □ the decision of the Complaints Committee was fair and reasonable; and □ there were insufficient grounds for the referral of the matter back to the Complaints Committee for re-consideration. <p>Upon completing its work, the EC issued its Decision in November, 2009. The EC found that the ICAI failed to comply with the aforementioned aspects of its approved investigation and disciplinary procedures. In accordance with the requirements of the Act, the Authority is currently in the process of seeking the High Court's affirmation of the Decision.</p>

¹⁹ i.e. 3 Enquiries ongoing at the beginning of the year plus one new Enquiry initiated during the course of the year

3.4 Engagement on interpretations of the Section 23 Regulations

During the year the Authority participated in a lengthy and detailed engagement with the ICAI on the parties' respective interpretations of the provisions of the Act and the Section 23 Regulations. The issues in respect of which the parties engaged included:

- the purpose of section 23 Enquiries;
- the scope of section 23 Enquiries;
- publication;
- oral hearings;
- settlement; and
- the transfer of documents between PECs and subsequently established ECs.

4. Attachment of Conditions to the recognition of RABs

4.1 Legislative context

A RAB is a body of accountants that has been recognised for the purposes of section 187 of the Companies Act, 1990 ('the 1990 Act'). RABs are, subject to certain criteria being satisfied, permitted to register or license their members/member firms for the purpose of entitling such persons/firms to practice as statutory auditors.

Section 192(1) of the 1990 Act (as amended) provides that the Authority may, at any time, attach to the recognition of a RAB any such terms or conditions as it thinks necessary or expedient, provided that such terms or conditions are specified in writing.

4.2 Attachment of new Conditions

During the year the Authority attached Conditions to the recognitions of two RABs. Details of the principal provisions of those Conditions, and the RABs to whose recognitions they were attached, are set out below.

Condition I – Institute of Incorporated Public Accountants (IIPA)

This Condition requires the IIPA to put in place arrangements under which:

- prior to signing an audit report for the purposes of section 193(1) of the 1990 Act, the work of certain members authorised by the IIPA to perform statutory audits ('affected members') is required to be subjected to review by an independent reviewer who:
 - i. is qualified for appointment as an auditor under the Companies Acts;
 - ii. and has been approved by the Authority; and
 - iii. operates under terms of reference approved by the Authority; and
- affected members are not permitted to sign audit reports for the purpose of section 193(1) of the 1990 Act until such time as an independent reviewer has confirmed that, in his/her professional opinion, the audit work undertaken by the affected member is sufficient and appropriate to support the proposed audit opinion.

The Authority considered it both necessary and expedient to attach this Condition to the IIPA's recognition following an in-depth examination of, amongst other things, that body's process for the awarding of audit authorisations.

Condition II – Institute of Chartered Accountants in Ireland (ICAI)

This Condition requires the ICAI to provide the Authority with:

- unrestricted access to all books, records or other documents (in any format) that are in the ICAI's possession or control that are of relevance to the Authority's objects and functions, including for the purposes of taking copies of such books, records or other documents; and
- such information and other assistance as the Authority may reasonably require in connection with such books, records and documents.

The Authority considered it both necessary and expedient to attach this Condition in order to obtain access to certain documents in the ICAI's possession which were of relevance to the Authority's statutory remit.

4.3 Monitoring of Conditions previously attached

In addition to the foregoing, the Authority's supervisory activities during the year also included the ongoing monitoring of adherence to Conditions previously attached to RABs' recognitions.

In that context, and pursuant to a Condition previously attached to the IIPA's recognition whereby the IIPA is required to submit all proposals to issue new audit authorisations to the Authority for examination in advance of granting such authorisations, the Authority examined 11 such proposals during the year. As considered necessary or otherwise appropriate, the Authority required the provision of certain information, explanations and clarifications in advance of providing the IIPA with its observations on the proposed granting of authorisations.

5. Supervision of the Institute of Chartered Accountants in Ireland's response to events at Anglo Irish Bank Corporation Limited and Irish Life & Permanent plc

5.1 Context

The model of supervised self regulation provided for by the Act is one whereby:

- the PABs are responsible for carrying out investigations into their members' activities where necessary (e.g. in response to allegations or other indications of possible breaches by members/ member firms of the PABs' standards);
- the Authority is responsible for supervising the PABs' investigative and disciplinary activities and, specifically, for ensuring that the PABs' approved procedures are complied with; and
- in circumstances where it finds that a PAB has failed to comply with its approved investigation and disciplinary procedures, the Authority may impose certain sanctions, including monetary sanctions (i.e. under section 23 of the Act).

Accordingly, and consistent with the foregoing, in the normal course of its supervisory activities, the Authority focuses on the proper operation of the PABs' investigative and disciplinary systems and processes rather than on the PABs' handling of individual cases²⁰. In certain instances, however, the PABs' handling of individual cases may be judged by the Authority to warrant particular attention, for example, where the underlying matters are connected with a listed entity.

5.2 Supervision of the Institute of Chartered Accountants in Ireland's response

On 18 December, 2008, Mr. Sean FitzPatrick resigned from the position of Chairman of what was then Anglo Irish Bank Corporation plc ('Anglo').

²⁰ The Authority's more general supervisory activities are discussed in sections 3, 4, 6, 7, 8 and 9 of this Chapter.

On 19 December, 2008 the Institute of Chartered Accountants in Ireland's ('ICAI') Chartered Accountants' Regulatory Board²¹ issued a press statement indicating that it:

'...will be examining the circumstances around the issue of inappropriate Directors loans at Anglo Irish Bank and the role played by any members of the Institute of Chartered Accountants in Ireland. In this process CARB will obviously seek to engage with other statutory regulators and oversight bodies'.

On 20 December, 2008 Anglo's then Chief Executive, Mr. David Drumm, resigned. On 23 December, 2008 the Authority's Board met to consider its response to these events. In view of the model of supervised self regulation provided for by the Act and, in view of the fact that Mr. FitzPatrick, Mr. Drumm and Mr. William McAteer (then also a director of Anglo and the bank's Chief Risk Officer) are members of the ICAI, together with the fact that Ernst & Young, Anglo's then auditor, is an ICAI member firm, the Board of the Authority resolved to appoint a senior staff member²² to observe the ICAI's regulatory response to events at Anglo.

The practical effect of the Board's decision was that, from that date, a senior Authority staff member has been in attendance at all meetings of the ICAI's Complaints Committee to observe that Committee's response at first hand. The Board considered this step to be appropriate given that the Complaints Committee, which is the first step in the ICAI's investigation/disciplinary process, does not meet in public due to the preliminary nature of its investigations.

During the period that followed, the Authority:

- remained in ongoing communication with the Complaints Committee and the wider Institute, monitored the timeliness of the Committee's response and emphasised the importance of a timely regulatory response in the interests of ensuring that the manner in which members and member firms are regulated can command public trust, confidence and support;
- recommended to the Tánaiste and then Minister for Enterprise, Trade & Employment that section 36 of the Act be commenced with a view to strengthening the ICAI's ability to investigate these matters – section 36 of the Act was subsequently commenced on 27 January, 2009²³; and
- has attended nine²⁴ meetings of the Complaints Committee.

At its meeting on 16 January, 2009, the Complaints Committee formed the opinion that the issues under consideration are of complexity and importance and constitute a matter of public concern and, on that basis, the Committee resolved at its meeting of 13 February, 2009 to appoint a Special Investigator²⁵.

The Special Investigator was charged with investigating possible breaches of the ICAI's Bye-Laws and/or Rules of Professional Conduct by its members and/or member firms and specifically²⁶ :

- certain loans made by Anglo to Mr. Sean FitzPatrick, a director of the bank (and a member of the ICAI) and actions taken by him in relation to such loans in the years prior to the disclosure

²¹ The Chartered Accountants' Regulatory Board ('CARB') is a Committee of the Institute of Chartered Accountants in Ireland's Council (governing body). CARB was established under the Institute's Bye-laws for the purpose of regulating the Institute's members in accordance with the provisions of the Institute's Bye-laws.

²² Head of Regulatory & Monitoring Supervision.

²³ Section 36 was commenced by the Companies (Auditing and Accounting) Act 2003 (Commencement) Order 2009 (S.I. No. 13 of 2009).

²⁴ 16 January, 13 February, 13 March, 16 March, 22 May, 22 July, 27 August, 8 October and 12 November, 2009 respectively.

²⁵ The Committee appointed former Comptroller & Auditor General, Mr. John Purcell, as the Special Investigator.

²⁶ The ICAI's press statement on this matter can be accessed at <https://www.carb.ie/en/Public-Communications/Press-Releases/>

of same by Mr. FitzPatrick in 2008 and the treatment of same in Anglo's financial statements and the subsequent resignations of Mr. Sean FitzPatrick, Mr. David Drumm and Mr. William McAteer, being two other directors of the bank and each being a member of the ICAI; and

- the performance of Anglo's auditors, Ernst & Young, an ICAI member firm, in connection with the audit of Anglo's financial statements in relation to the said loans to Mr. FitzPatrick in the years prior to the disclosure of same by Mr. FitzPatrick.

Bye-law 72.1 of the ICAI's Bye-laws provides that, where the Complaints Committee decides to refer a matter to a Special Investigator, the Committee shall appoint a person to conduct, in such manner as s/he in their absolute discretion thinks fit, an investigation into such facts and matters as the Committee specifies.

Bye-law 72.4 provides that the Complaints Committee may authorise the Special Investigator to do all things considered necessary or conducive to the conduct of the investigation while Bye-law 62.1 provides that it shall be the duty of every member and firm to co-operate at every phase of the disciplinary process (including by providing such information, explanations, documents and computer and other electronic records as the Special Investigator may consider necessary).

Bye-law 62.1 further provides that each 'Disciplinary Body', which, as defined in the Bye-laws, includes the Special Investigator, shall be entitled to avail of all powers conferred upon it by section 192A of the 1990 Act, as inserted by section 36 of the Act. Accordingly, with the commencement of section 36 of the Act following the Authority's recommendation to that effect, the Special Investigator's powers of investigation were further widened and underpinned by statute. The powers provided to the Special

Investigator by section 36 are extensive and include the power to:

- require a relevant person (which includes a member, member firm, former member, former member firm, client or former client of a member or member firm and any other person reasonably believed to have information or documents relating to the investigation) to produce all books or documents relating to the investigation that are in the person's possession or control;
- examine a relevant person on oath; and
- certify a relevant person's refusal to co-operate to the High Court.

At its meeting on 16 March, 2009, and in light of certain information that had come into the public domain in the previous month regarding certain transactions between Anglo and Irish Life & Permanent plc ('IL&P'), the Complaints Committee resolved to appoint the Special Investigator to also examine the following additional matters²⁶:

- certain deposits made by IL&P through its subsidiary Irish Life Assurance ('ILA') with Anglo during 2008, and in particular during September-October 2008, and actions taken in relation to such deposits and the treatment of same in the financial statements of Anglo and the reporting of same to the Financial Regulator and the purpose of same (and the subsequent resignation in February 2009 of Mr. Peter Fitzpatrick, Group Financial Director of IL&P, a member of the ICAI);
- the alleged provision during 2008 of loans of €451 million to 10 customers of Anglo in order to buy a number of the shares in Anglo held indirectly by Mr. Sean Quinn;

- the role, if any, in relation to the aforesaid transactions of Mr. Sean FitzPatrick and/or Mr. David Drumm and/or Mr. William McAteer, each being a director of Anglo at the relevant time and a member of the ICAI (Mr. FitzPatrick and Mr. Drumm having resigned from Anglo in December 2008 and Mr. McAteer having resigned in January, 2009);
- the performance of Anglo's auditors, Ernst & Young, a member firm of the ICAI, of their role in connection with the audit of the financial statements of Anglo in relation to the aforesaid transactions;
- certain deposits made by IL&P through its subsidiary ILA with Anglo during 2008, and in particular during September-October 2008, and actions taken in relation to such deposits and the treatment of same in the financial statements of IL&P and/or ILA and the reporting of same to the Financial Regulator and the purpose of same and the subsequent resignation on 13 February, 2009 of Mr. Peter Fitzpatrick, Group Financial Director of IL&P, a member of the ICAI; and
- the role, if any, in relation to the aforesaid transaction of Mr. Peter Fitzpatrick, Mr. Fitzpatrick being a director of IL&P at the relevant time and a member of the ICAI.

On 22 July, 2009 the Complaints Committee resolved to extend the Special Investigator's mandate to include the role, if any, of²⁶:

- Mr. Sean FitzPatrick; and/or
- Mr. David Drumm; and/or

- Mr. William McAteer,

in relation to the management of certain loans made to a number of senior Anglo personnel in 2008.

During the year, senior Authority representatives held a number of meetings with the Special Investigator in order to monitor the progress of the investigations being undertaken and at year end the Special Investigator's work was ongoing.

6. Approval related activities

6.1 Legislative context

The Authority's role in approving the PABs' constitutional documents²⁷ derives from section 9(2)(c) of the Act, which provides that the Authority's functions include approving and requiring changes to:

- the constitutions and Bye-laws of the PABs, including each PAB's investigation and disciplinary procedures and its standards; and
- any amendments to the approved constitution or Bye-laws of each PAB, including each PAB's investigation and disciplinary procedures and its standards.

The term 'standards' as used above is defined in section 4 of the Act as "*standards*", in relation to a prescribed accountancy body, means the rules, regulations and standards that body applies to its members and to which, by virtue of their membership, they are obliged to adhere'.

The Authority's approval related activities seek, amongst other things, to identify any areas and/or aspects of the PABs' constitutional and related documents in respect of which amendment might serve to further strengthen the transparency and efficacy of the PABs' governance and regulatory

²⁷ The term 'Constitutional documents' refers to the PABs' Charters, Memoranda & Articles of Association, Bye-laws, Rules, Regulations, Codes and Standards.

structures, thereby contributing to the enhancement of public confidence in the manner in which the PABs regulate and monitor their members. The Authority's approval process, whilst rigorous and demanding, is collaborative and seeks to take account of:

- international best practice in regulatory and corporate governance matters;
- the provisions of the EU Statutory Audit Directive;
- relevant recommendations of the Review Group on Auditing²⁸; and

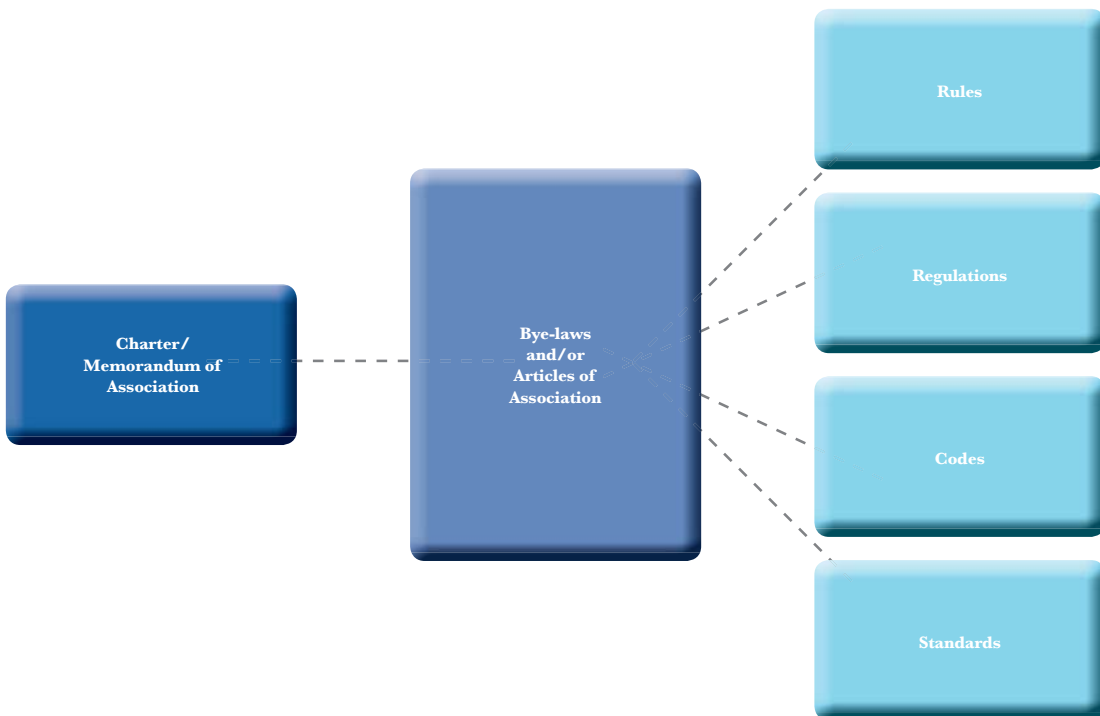
- relevant legal requirements.

6.2 Structure of PABs' constitutional documents

The PABs' constitutional documents typically follow a hierarchical structure such as that shown in the diagram below.

6.3 Approvals

Approvals granted during the year are set out in Table 10 across.



²⁸ The Review Group on Auditing was established in December 1999 by the then Minister for Enterprise, Trade and Employment. Its report, which was published in July 2000, set out a substantial number of recommendations with regard to the regulation and supervision of the auditing profession.

Table 10 Approvals granted during the year²⁹

	2009	2008
Memoranda of Association	-	1
Articles of Association	-	1
Sets of existing full suite Bye-laws	-	1
Sets of amended Bye-laws	1	2
Sets of Regulations	1	1
Sets of amended Regulations	9	11
Codes of Ethics and Conduct	-	1
Amended Codes of Ethics and Conduct	1	1
Total	12	19

In addition to the foregoing, at year end, reviews of the following were ongoing:

Table 11 Approval related matters initiated and ongoing at year end

	2009	2008
Charters	3	2
Memoranda of Association	1	1
Proposed amendments to Memoranda of Association	1	-
Articles of Association	1	1
Sets of existing full suite Bye-laws	6	4
Sets of proposed amendments to Bye-laws	2	1
Sets of Regulations	19	10
Sets of proposed amendments to Regulations	2	1
Codes of Ethics and Conduct	2	2
Proposed amendments to Codes of Ethics and Conduct	-	1
Total	37	23

6.4 Decision not to grant approval

During the year the Authority declined to approve proposals from one PAB (i.e. the ICAI) to effect certain amendments to its constitutional documents.

The Authority's decision not to grant approval followed a detailed review of the proposed amendments (which included the Authority taking external legal advice), upon the completion of which the Authority:

- concluded that certain of the proposed amendments were *ultra vires*³⁰ the ICAI; and

- remained unconvinced as to the merits of granting approval in respect of certain other proposed amendments.

In view of the Authority's decision not to grant its approval, the ICAI was invited to consider its proposals further and to revert with amended proposals should it wish to further pursue approval.

²⁹ The approvals referred to in this Table relate to the ACCA and the ICAI.

³⁰ i.e. beyond the powers or legal authority of.

7. Complaints handling

7.1 Overview

For the purposes of the analyses set out in this Chapter, a 'Complaint' includes any expression of dissatisfaction with accounting related services and/or with the regulation of members/member firms by the PABs, whether communicated to the Authority by members of the public or other sources.

The Authority received a total of 20 complaints during the year under review. The nature of those complaints, together with details of the manner in which complaints were dealt with, is set out in

the following Tables. The handling of complaints received forms an important part of the Authority's supervision of the PABs, in that analysing the nature of complaints received together with the Authority's examination thereof enables the Authority to determine whether the issues complained of are of an isolated nature or whether they are indicative of wider or systemic issues.

7.2 Complaints received

Details of complaints received during the year, together with comparative data in respect of the year ended 31 December, 2008, are set out in the Table below.

Table 12: Complaints received during 2009

	2009	2008
Complaints on hand as at 1 January	5	7
Complaints received during the year (see Table 14)	20 ³¹	18
Complaints closed during the year (see Table 13)	(18)	(20)
Complaints on hand as at 31 December	7	5
Analysed by:		
Complaints under consideration at year end	5	2
Matters ongoing under the section 23 process (see Table 8)	2	3
Complaints on hand at 31 December	7	5

At year end, two matters arising from complaints remained under consideration by Authority Committees in accordance with the provisions of the Section 23 Regulations. An overview of the Authority's section 23 Enquiry activity during the year is set out in section 3.2 above.

7.3 Complaints closed

As can be seen from the Table above, a total of 18 complaints were closed during the year. The manner in which those complaints were closed is analysed in the following Table.

Table 13: Complaints closed

	2009	2008
Referral to relevant PAB ³²	9	10
Referral to another regulatory/enforcement body	3	3
Pursued with the relevant PAB as a regulatory matter	4	1
Complaint withdrawn by complainant	1	1
Completion of a Full Enquiry (see Table 8)	1	2
Outside the remit of the Authority	-	3
Complaints closed during the year	18	20

³¹ Complaints received related to (i) the following PABs: ICAEW, ICAI, ICPAI and IIPA; and (ii) members of the following PABs: ACCA, ICAI and IIPA.

³² Under the regulatory model provided for by the Act, primary responsibility for investigating complaints relating to members of the PABs resides with the PABs. Accordingly, where the Authority receives a complaint in circumstances where the matter has not, in the first instance, been referred to the relevant PAB, the Authority refers the matter to the PAB for processing under its approved investigation and disciplinary procedures.

7.4 Nature of complaints received

Set out in the Table below is an analysis of the

nature of issues giving rise to complaints made to the Authority during the year.

Table 14: Nature of issues giving rise to complaints – complaints received in 2009

	Total	Closed	Active at year end
Alleged failure to release client documentation	1	1	-
Allegation of unsatisfactory work	8	8	-
Alleged delays in PABs' disciplinary processes	2	1	1
Dissatisfaction with some other aspect of the PABs' disciplinary procedures	5	2	3
Alleged breach of standards by a PAB member/member firm	1	1	-
Dissatisfaction with fees charged	1	1	-
Other	2	2	-
Total	20	16	4

7.5 Referrals from the Office of the Director of Corporate Enforcement ('ODCE')

Over the course of the year, the Authority received a total of 12 referrals from the ODCE. These referrals related to apparent non-compliance with professional standards and/or company law on the part of certain members/member firms of RABs. In response to these referrals, and in addition to ongoing liaison with the ODCE, the Authority liaised with the relevant RABs with a view to:

- ascertaining their respective responses to these matters; and
- ensuring that the RABs' responses were consistent with their approved investigation, disciplinary and other relevant procedures.

Set out in the Table below is a summary of referrals received from the ODCE during the year, analysed by both RAB and subject matter.

Table 15: Summary of referrals from the ODCE - 2009

Subject matter of referral	ACCA	ICAI	ICPAI	IIPA	Total
Provision by auditors of audit reports not appropriate to audited entities' legal structure (i.e. companies limited by guarantee and public companies)		2	1		3
Qualification to audit (S187, 1990 Act)				1	1
Duty of auditors to report to the Director of Corporate Enforcement (S194(5), 1990 Act)	1	3			4
Disclosure of substantial contracts, etc. with directors and others in financial statements	1	2			3
Miscellaneous other matters	1				1
Total	3	7	1	1	12

8. Supervisory reviews

During the year the Authority completed supervisory visits in respect of two PABs and commenced supervisory reviews in respect of a further two PABs. In addition, Authority staff held seven review meetings with PABs' representatives during the year, the purpose of such meetings being, amongst other things, to:

- discuss progress on the implementation of Authority recommendations;
- identify, discuss and plan for forthcoming developments of relevance in a supervisory context; and
- discuss matters of mutual interest from a regulatory perspective.

As in previous years, the principal issues arising from the Authority's supervisory review activities related to:

- the practical operation of PABs' investigation and disciplinary procedures;
- constitutional documents;
- PABs' licensing and registration of members/ member firms; and
- the accuracy of information provided in PABs' annual returns to the Authority.

9. PABs' annual return process

9.1 PABs' annual returns

On an annual basis, the Authority requires the PABs to complete an annual return, the purpose of which is twofold, namely to:

- i. provide the Authority with information necessary to enable it to:

- monitor the PABs' ongoing regulatory, monitoring and related activities; and
 - plan for supervisory reviews by, for example, identifying key areas, issues or trends deserving of particular attention or resource allocation; and
- ii. enable the Authority to provide the public with an insight into the scale and composition of the profession as well as the PABs' principal regulatory and, where applicable, monitoring activities on an annual basis.

By definition, certain of the information sought from the PABs is confidential - or otherwise sensitive in nature - and is, principally, for the Authority's internal use as opposed to being collected and collated for the purpose of publication. That being the case, not all data collected from the PABs is made public by the Authority. Those elements of the data considered appropriate for publication, together with the Authority's analysis thereof, are set out in detail in Chapter 7 of this Report.

9.2 Annual returns – Individually Authorised Auditors

The Authority also requests annual returns from individuals who, whilst not necessarily being members of the RABs, are entitled to perform statutory audit work on foot of Ministerial authorisations granted prior to 3 February, 1983. A list of such individuals (referred to as 'Individually Authorised Auditors') is set out in Part F of Chapter 7 of this Report.

10. Registration of third country auditors and audit entities

10.1 Context – Commission Decision

In July 2008, the European Commission issued Decision No. 2008/627/EC ('the Decision')³³. The purpose of the Decision was to put in place a framework whereby auditors and audit entities from

³³ The text of the Decision can be accessed at http://www.iaasa.ie/legislation/EU_QA_Recs310708.pdf

certain third countries could benefit from transitional arrangements³⁴ under which they could continue to issue valid audit opinions in the European Union

provided that certain requirements are met. The third countries concerned are set out in the Table below.

Table 16: Third countries scheduled in the Decision

Argentina	India	Singapore
Australia	Indonesia	South Africa
Bahamas	Israel	South Korea
Bermudas	Japan	Switzerland
Brazil	Kazakhstan	Taiwan
Canada	Malaysia	Thailand
Cayman Islands	Mauritius	Turkey
Chile	Mexico	Ukraine
China	Morocco	United Arab Emirates
Croatia	New Zealand	United States of America
Guernsey, Jersey, Isle of Man	Pakistan	
Hong Kong	Russia	

The transitional period applies to the audit reports concerning the annual or consolidated financial statements prepared in respect of financial years starting during the period from 29 June, 2008 to 1 July, 2010. Thereafter, auditors and audit entities from the third countries concerned will require registration in accordance with the provisions of Article 45 of the Statutory Audit Directive in order to be eligible to issue audit opinions valid in the EU.

10.2. Implementation of Decision in national law

The Decision was given effect to in Irish law by Statutory Instrument No. 229 of 2009, the European Communities (Transitional Period Measures in Respect of Third Country Auditors) Regulations 2009, ('the Transitional Regulations')³⁵.

10.3 Designation of the Authority as competent authority

Regulation 3 of the Transitional Regulations, which

took effect from 26 June, 2009, designated the Authority as the competent authority for the purposes of registering transitional third country auditors.

10.4 Requirements for transitional registration

In accordance with the provisions of Regulation 4 of the Transitional Regulations, in order for a third country auditor or audit entity to be registered by the Authority, that auditor or audit entity must first provide the Authority with the following information:

- name, address and information regarding legal structure;
- where the auditor/audit entity belongs to a network, a description of the network;
- details of the auditing standards and independence requirements that have been applied to the audit(s) concerned (i.e. audits of

³⁴ Applies to audit reports concerning the annual or consolidated financial statements prepared in respect of financial years starting during the period from 29 June, 2008 to 1 July, 2010.

³⁵ The text of the S.I. can be accessed at http://www.iaasa.ie/legislation/si229_2009.pdf

- relevant audit clients³⁶ admitted to trading on a regulated market in the State);
- d. a description of the auditor's/audit entity's internal quality control system; and
- e. an indication of whether, and when, the last quality assurance review was carried out and necessary information regarding the outcome of that review.

In providing the above information, third country auditors and audit entities are required to:

- ensure that the information provided is correct and accurate in all material respects;
- certify that to be the case;
- update and recertify information previously provided as and when necessary; and
- comply with such reasonable requests for clarification and/or further information as the Authority considers necessary.

10.5 Authority's obligations to publicise details of transitionally registered third country auditors and audit entities

Upon registering a third country auditor or audit entity the Authority is required to make public:

- the third country auditor's/audit entity's name and address; and

- the fact that the third countries in which transitionally registered auditors/audit entities are based have not been recognised as equivalent for the purposes of the Statutory Audit Directive.

10.6 Applications received and auditors/audit entities registered during 2009

In the period from the date of the commencement of the Transitional Regulations (26 June, 2009) to 31 December, 2009, the Authority received a total of 21 registration applications. At year end, 2 third country audit entities had been registered, i.e.:

- KPMG Channel Islands Limited, Channel Islands; and
- PricewaterhouseCoopers, CI LLP, Channel Islands.

The register can be accessed on the Authority's website.³⁷

11. Other activities

As part of its ongoing supervisory mandate and in the furtherance of its mission and goals, the Authority seeks to develop and maintain strong bilateral links with certain domestic and international counterparts, as considered appropriate and permitted by law. Of particular significance in that context are the Authority's links with the:

- ODCE;
- Financial Regulator;

³⁶ For the purposes of registration in Ireland, a relevant audit client is an entity incorporated outside the EU/EEA whose transferable securities are admitted to trading on a regulated market in Ireland within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC. This refers to an issuer as defined in Article 2(1)(d) of Directive 2004/109/EC, except when:

- the company is an issuer exclusively of debt securities admitted to trading on a regulated market in Ireland within the meaning of Article 2(1)(b) of Directive 2004/109/EC, the denomination per unit of which is at least €50,000 or, in case of debt securities denominated in another currency, equivalent, at the date of issue, to at least €50,000; or
- the company is an issuer exclusively of units issued by collective investment undertakings other than closed-end type, or units acquired or deposited of in such collective investment undertakings within the meaning of Article 1(2) of Directive 2004/109/EC.

³⁷ <http://www.iaasa.ie/legislation/3cae/register.htm>

- European Group of Auditors' Oversight Bodies ('EGAOB');
- International Forum of Independent Audit Regulators ('IFIAR');
- US Public Company Accounting Oversight Board ('PCAOB'); and
- Auditing Practices Board ('APB').

11.1 ODCE

For the purpose of facilitating co-operation, the Authority entered into a Memorandum of Understanding with the ODCE in May, 2006. Where issues arise in the course of the Authority's ongoing supervisory work that are considered to be connected with the Director of Corporate Enforcement's functions, the Authority refers such matters to the ODCE. During the year, 2 referrals were made to the ODCE. As set out in Table 15 above, the ODCE also made 12 referrals to the Authority during the year.

During the year under review the Authority also provided assistance to the ODCE by providing a witness to confirm certain matters relating to the regulatory framework governing statutory auditors in the context of an appeal brought by an individual previously convicted of acting as an auditor while not qualified to do so.

11.2 Financial Regulator

For the purpose of facilitating co-operation, the Authority entered into a Memorandum of Understanding with the Financial Regulator in June, 2008. Where issues arise in the course of the Authority's ongoing supervisory work that are considered to be connected with the Regulator's functions, the Authority refers such matters to the Regulator. During the year, 2 referrals were made to the Regulator and, with a view to furthering the parties' understanding of each others' respective roles, Authority staff met with, and delivered a

presentation to, Regulator staff. Chapter 4 details further interactions with the Regulator in a financial reporting context.

11.3 EGAOB

During the year the Authority continued its co-operative activities with other EU Member States' oversight authorities as a member of the EGAOB, an expert group established by the European Commission to assist it in the context of the EU-wide implementation of the Statutory Audit Directive. The functions and detailed work performed by the EGAOB were described in considerable detail in the Authority's first Annual Report and for that reason are not reproduced in this Report.

11.4 IFIAR

During the year the Authority continued to be an active member of IFIAR. Members met on three occasions during the year, twice in plenary session, with a further meeting taking the form of an audit inspection workshop.

11.5 PCAOB

During the year the Authority continued its ongoing engagement with the PCAOB on the issues of transposition of the Statutory Audit Directive and proposed PCAOB inspections of Irish audit firms. This topic is discussed in further detail in Chapter 5 of this Report in the context of the Authority's advisory role.

11.6 APB

During the year the Authority continued to act as an observer at APB meetings, an activity that facilitates in assisting the Authority to discharge its role of co-operation in the development of auditing and ethical standards and to identify at an early stage developments that may have a particular relevance to, or bearing on, Ireland.

CHAPTER 4

*Monitoring the compliance of
certain issuers' periodic financial
reporting with relevant reporting
frameworks*

Monitoring the compliance of certain issuers' periodic financial reporting with relevant reporting frameworks

1. Introduction

This Chapter provides a summary of the activities undertaken by the Authority during the year in seeking to achieve its mission to support and enhance public confidence in financial reporting through the exercise of effective, independent oversight of constituent entities' statutory financial reporting. The Authority's activities in this regard are concerned principally with its role as the designated competent authority in the State for examining the compliance of certain entities' periodic financial reporting with relevant reporting frameworks, i.e. applicable accounting standards (in the main IFRS³⁸ and Irish GAAP³⁹) and relevant legislation. Other activities include co-operation with EU counterparts, primarily for the purpose of promoting the consistent enforcement of IFRS across the EU, and the statutory function of co-operating in the development of accounting standards. The remainder of this Chapter discusses each of these activities in further detail (other than the Authority's co-operation with others in the development of accounting standards, which is elaborated upon in Chapter 5 of this Report).

2. Monitoring the compliance of issuers' periodic financial reporting with relevant reporting frameworks

2.1 Legislative context

As the context for the Authority's legislative function

of monitoring the compliance of certain entities' periodic financial reporting with relevant reporting frameworks was set out in detail in the Authority's 2007 Annual Report⁴⁰, it is not reproduced in this Report. In summary, the Transparency (Directive 2004/109/EC) Regulations, 2007 ('the Transparency Regulations') provide that '*IAASA shall examine [annual and half-yearly financial reports] for the purpose of considering whether such information is in accordance with the relevant reporting framework*'⁴¹. Throughout the remainder of this Chapter, those entities coming within the Authority's remit under the Transparency Regulations are referred to as 'issuers'.

2.2 The Authority's remit

Table 17 sets out, in approximate terms, as at 31 December, 2009, the scale of the review constituency as notified to the Authority by the Irish Stock Exchange ('ISE') on behalf of the Financial Regulator⁴². This data excludes certain issuers whose home Member State is Ireland but whose securities are traded on an EU regulated market outside of the State, in respect of which accurate data is not currently available to the Authority.

Table 17: Authority's financial reporting review constituency as at 31 December, 2009

Issuer Category	Number of issuers in category	Half-yearly financial reports issued	Annual financial reports issued	Total number of periodic financial reports issued
Equity	31	31	30	61
Fund	45	45	39	84
Debt	92	67	92	159
Total	168	143	161	304

³⁸ International Financial Reporting Standards

³⁹ Generally Accepted Accounting Principles, which, in an Irish context, includes the accounting standards and related interpretations as issued by the UK Accounting Standards Board ('ASB').

⁴⁰ Available at http://www.iaasa.eu/publications/Annual_Report2007.pdf

⁴¹ Regulation 42(2) refers.

⁴² The Financial Regulator has chosen to delegate certain of its functions under the Regulations to the Irish Stock Exchange.

2.3 Purpose and objective of review activity

The Authority's review activity comprises two principal elements, i.e.

- i. monitoring the compliance of issuers' periodic financial reporting with relevant reporting frameworks; and
- ii. taking appropriate enforcement measures in response to identified infringements.

The purpose of the Authority's review activity is to:

- protect and promote the interests of the users of issuers' periodic financial reports;
- promote public confidence in the quality and reliability of issuers' statutory financial reporting; and
- contribute to the achievement of the objective of the consistent application of accounting standards across EU regulated financial markets.

The scope of enforcement extends to the whole reporting framework applicable to issuers, including national GAAP when applied to company individual financial statements (as opposed to consolidated financial statements where the use of IFRS is mandated) and extends to third countries' accounting standards where non-EU issuers are concerned. Consequently, the Authority is responsible for the enforcement of IFRS, Irish GAAP and certain codes of third country GAAP depending on the financial reporting framework used by the affected issuer.

2.4 Approach towards selecting issuers' periodic financial reports for review

When determining which issuers' periodic financial reports will be the subject of a detailed examination, the Authority uses a risk based approach, which is supplemented by rotational selections (the purpose of the latter being to provide coverage of issuers that might otherwise be unlikely to be selected for examination on a purely risk-based approach).

Further details of the considerations affecting risk assessment and the Authority's selection process can be found in the publication entitled *'A Guide to the Financial Reporting Requirements of the EU Transparency Directive and IAASA's role under the Directive'*⁴³.

The Authority has entered into Memoranda of Understanding with the Financial Regulator and the Office of the Director of Corporate Enforcement. From time to time the Authority receives referrals from these and other parties. The receipt of a referral from another statutory body is treated as a risk factor and is, therefore, incorporated into the Authority's risk assessment and selection processes.

2.5 Categories of review

Depending upon risk factors identified and other relevant considerations, examinations undertaken by the Authority during the year can be broadly categorised as being:

- a. Full Scope Reviews – these reviews comprise an examination of all aspects of the selected financial report for compliance with the recognition, measurement, classification, presentation and disclosure requirements of relevant standards, legislation and regulations;

⁴³ Available at http://www.iaasa.ie/publications/IAASA_TD_Guide.pdf. In summary, IAASA's risk-based approach to the selection of financial reports for review has regard to the risk of material misstatement in issuers' financial reports and the potential impact of such a misstatement on the users of financial reports. Risk factors considered in assessing the relative risk of an incidence of material misstatement in an issuer's financial report include (i) financial structure and business/economic trends, (ii) financial position and ratios, (iii) industry specific issues, (iv) audit qualifications and related issues, (v) corporate governance and control environment issues, (vi) incidence of related party transactions, (vii) incidence of business combinations and/or disposals, (viii) administrative, court and/or regulatory actions, and (ix) third party signals (e.g. complaints received by IAASA, press reportage etc.). Where previous instances of non-compliance have been identified, the potential for an issuer's future periodic financial reports to be reviewed increases.

- b. Focussed Reviews – this type of review involves the examination of a particular aspect (or aspects) of the selected financial report (e.g. where the selected issuer has undertaken a business combination during the period under review); and
- c. Follow-up Reviews – these are reviews which examine a previously reviewed issuer for the purpose of assessing the issuer's responses to previously raised matters (e.g. with a view to determining whether an issuer's directors have honoured undertakings previously provided to the Authority).

2.6 Approach towards issues arising from reviews of periodic financial reports

Where, having undertaken a review of an issuer's periodic financial report, it appears to the Authority that there are issues arising in respect of which further information and/or clarification is required, the Authority corresponds with those charged with the issuer's governance, i.e. the directors (the Authority corresponds with the directors as opposed to, for example, management as, under company law, it is the directors that are legally responsible for the financial statements). In such correspondence, the matters arising are set out in detail and the issuer's directors are requested to respond in writing, providing any information, clarification and/or explanations considered necessary (including, for example, details of the directors' rationale or the basis for their judgements in certain respects).

Where directors' responses do not fully address the issue(s) raised or, as is frequently the case, directors' responses require further elaboration or clarification, the Authority typically enters into further correspondence with the directors until such time as all information, clarifications and/or explanations necessary to enable an assessment to be made as to whether the periodic financial report is in compliance with the relevant reporting framework have been

obtained. Where considered necessary or otherwise likely to assist in the satisfactory resolution of issues arising, Authority staff members meet with issuers' representatives.

It is important to note that not all matters raised with issuers' directors are suggestive of potential non-compliance with the relevant reporting framework. Rather, as considered necessary, the Authority seeks further information and/or clarification from issuers' directors for the purpose of enabling it to better understand the basis for certain of their accounting judgements in preparing periodic financial reports, including their judgements relating to recognition, measurement, classification, presentation and disclosure.

As reported on previous occasions, based on experiences to date, the Authority has found that those issuers that are most forthcoming with the requisite information, clarifications and explanations are those that bring their contacts with the Authority to a successful conclusion in the most efficient and expeditious manner.

2.7 Periodic financial reports received during the year

Set out in Table 18 are details of the number of periodic financial reports received by the Authority from the ISE during the year ended 31 December, 2009, together with comparative data in respect of the previous year.

Table 18: Periodic financial reports received from the ISE

Issuer category	2009			2008		
	Annual reports	Half-yearly reports	Total	Annual reports	Half-yearly reports	Total
Equity	30	31	61	6 ⁴⁴	36	42
Fund	39	45	84	22	61	83
Debt ⁴⁵	92	67	159	28	87	115
Total	161	143	304	56	184	240

As can be seen from the above Table, the volume of reports received during 2009 represented an increase of 27% on the previous year.

2.8 Overview of review activity during the year

Set out in the Table below are summary details of the Authority's review activity during the year.

Table 19 Summary of review activity – 2009

Reviews which were, by year end, at an advanced stage or had been completed

	Equity	Fund	Debt ⁴⁵	Total
Half-yearly reviews at an advanced stage or completed by year end	8	6	8	22
Annual reviews at an advanced stage or completed by year end	10	7	9	26
Total number of reviews at advanced stage or completed by year end	18	13	17	48

2.9 Issuers reviewed

Set out in the Table overleaf is a list of issuers whose periodic financial reports were reviewed during the year and whose reviews were, by year end, at an advanced stage or had been completed.

In respect of the reviews completed during 2009, a total of 229 matters were raised with issuers' directors. The average number of matters raised with issuers in respect of full scope reviews was 8, with the number of matters being raised with several issuers exceeding this average – for example, in the case of one equity issuer, the Authority had cause to raise queries in respect of 17 separate matters pertaining to its annual financial statements.

⁴⁴ Due to the timing of the implementation of the Regulations, issuers' financial statements came within the Authority's remit on a phased basis. Therefore, there were a limited number of annual financial reports under remit during 2008.

⁴⁵ Debt issuers admitted to trading on a regulated market in a Member State before 1 January, 2005 are exempt from the requirements to produce half-yearly financial reports with effect for 10 years from 1 January, 2005. Therefore, there are a lower number of half-yearly financial reports published by debt issuers under remit than annual financial reports.

Table 20: List of issuers reviewed – 2009

Issuer	Financial report type	Issuer type	Review type	Period end	Correspondence issued ⁴⁶
Aer Lingus Group plc	Half-yearly	Equity	Full	30/06/2009	Yes
Allied Irish Banks plc	Annual Half-yearly	Equity	Full Focussed	31/12/2008 30/06/2009	Yes Yes
Anglo Irish Bank Corporation plc	Half-yearly Annual Half-yearly	Equity Debt ⁴⁷ Debt	Follow-up Full Follow-up	31/03/2008 30/09/2008 31/03/2009	Yes Yes No
The Governor & Company of the Bank of Ireland	Annual	Equity	Full	31/03/2009	Yes
C&C Group plc	Annual	Equity	Focussed	28/02/2009	Yes
CRH plc	Annual Half-yearly	Equity	Full Follow-up	31/12/2008 30/06/2009	Yes No
FBD Holdings plc	Annual Half-yearly	Equity	Full Follow-up	31/12/2008 30/06/2009	Yes Yes
Glanbia plc	Annual	Equity	Full	03/01/2009	Yes
Grafton Group plc	Annual	Equity	Full	31/12/2008	Yes
Greencore Group plc	Annual	Equity	Full	26/09/2008	Yes
Irish Life & Permanent plc	Half-yearly Annual Half-yearly	Equity	Focussed Full Focussed	30/06/2008 31/12/2008 30/06/2009	Yes Yes Yes
Kingspan Group plc	Half-yearly	Equity	Follow-up	30/06/2009	No
Ryanair Holdings plc	Annual	Equity	Follow-up	31/03/2009	Yes
Argon Capital plc	Annual	Debt	Full	31/12/2008	Yes
Banesto Financial Products plc	Half-yearly	Debt	Full	30/06/2009	Yes
Cloverie plc	Half-yearly	Debt	Full	30/06/2009	Yes
Green Island Capital Securities plc	Half-yearly	Debt	Full	30/06/2009	Yes
iBond Securities plc	Half-yearly	Debt	Full	30/06/2009	Yes
Kalvebod plc	Annual Half-yearly	Debt	Full Follow-up	31/07/2008 31/01/2009	Yes Yes
Land Securities Capital Markets plc	Annual	Debt	Full	31/03/2009	No
Mermaid Repackaging plc	Annual	Debt	Full	31/05/2008	Yes
Porsche International Financing Group plc	Annual Half-yearly	Debt	Full Follow-up	31/07/2008 31/01/2009	Yes No
Profile Finance plc	Annual	Debt	Full	30/04/2009	Yes
Signum Finance II plc	Annual	Debt	Full	31/12/2008	Yes
Tube Lines (Finance) plc	Half-yearly	Debt	Full	30/06/2009	No
Xenon Capital plc	Annual	Debt	Full	31/12/2008	Yes
Aldermanbury Structured Returns plc	Half-yearly	Fund	Follow-up	30/09/2008	Yes
Carador plc	Annual	Fund	Follow-up	31/12/2008	No
DWS Vietnam Fund Limited	Half-yearly	Fund	Full	30/06/2009	Yes

Table 20: continued

Issuer	Financial report type	Issuer type	Review type	Period end	Correspondence issued ⁴⁶
Faraday Investments 21 plc	Annual	Fund	Focussed	07/11/2008	No
Hamilton Lane Private Equity Fund plc	Half-yearly	Fund	Full	31/08/2009	No
PXP Vietnam Fund Ltd	Annual	Fund	Follow-up	30/09/2008	No
Raffles-Asia Investment Company (Delisted 5 May 2009)	Annual Half-yearly	Fund	Full Follow-up	30/06/2008 31/12/2008	Yes Yes
Signet Global Fixed Income Strategies Limited	Half-yearly	Fund	Full	30/06/2009	Yes
Special Value Opportunities Feeder Fund	Annual	Fund	Full	31/12/2008	Yes
SWIP Private Equity Fund of Funds II plc	Annual	Fund	Full	31/12/2008	Yes
Vietnam Lotus Fund Limited	Annual	Fund	Focussed	31/12/2008	No
York Enhanced Strategies Feeder Fund (Cayman) Ltd	Half-yearly	Fund	Follow-up	30/06/2009	No

2.10 Response to matters arising from reviews of periodic financial reports

In addressing matters arising from reviews, the Authority has a range of options at its disposal, including:

- i. securing undertakings from an issuer's directors, i.e. to the effect that instances of non-compliance or other deficiencies in periodic financial reporting will be rectified and/or will not recur in future reports. Such undertakings may, depending on the nature and significance of the non-compliance/deficiency, be either:
 - a. applied prospectively, i.e. whereby amendments are made to future reports without the requirement to restate any previously reported amounts; or
 - b. applied retrospectively, i.e. whereby amendments are required to previously reported amounts in the comparatives in the next financial statements and resultant disclosures are required in accordance with International Accounting Standard ('IAS')⁴⁸ or Financial Reporting Standard ('FRS')⁴⁹ and FRS 18⁵⁰ ;
- ii. agreeing to the voluntary issuing of revised financial information by an issuer's directors e.g. *via* the publication of revised financial statements; and
- iii. invoking the Authority's statutory powers as provided for by the Transparency Regulations and under which the Authority can:

⁴⁶ When reading the 'Correspondence issued' column in the above Table, it is important to note that the fact that issues have been raised with an issuer's directors does not necessarily indicate non-compliance on the part of that issuer with the relevant reporting framework. Rather, as considered necessary, the Authority seeks further information and/or clarification from issuers' directors for the purpose of enabling it to better understand the basis for certain of the directors' accounting judgements in preparing periodic financial reports, including judgements relating to recognition, measurement, classification, presentation and disclosure.

⁴⁷ Anglo's share listing on the ISE's Main Market was cancelled on 21 January, 2009 following the nationalisation of the company. Certain of its debt securities remain listed on the ISE Main Market and, consequently, Anglo remains within the scope of the Regulations.

⁴⁸ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

⁴⁹ FRS 3 *Reporting financial performance*.

⁵⁰ FRS 18 *Accounting policies*.

- a. certify to the High Court an issuer's (or certain other relevant parties') failure to provide requested information and/or explanations; and
- b. in certain circumstances, direct an issuer's directors to prepare and publish a revised periodic financial report, publish notice of that direction and direct the issuer to pay costs incurred by the Authority in examining the report.

In determining the most appropriate manner in which to address matters arising from its reviews the Authority has regard to the circumstances of each case and seeks to pursue a course of action that is proportionate to the underlying matters and their potential impact on the users of the relevant financial report. Accordingly, the Authority will only consider the provision of directors' undertakings in respect of future periodic financial reports to be an appropriate and proportionate response in certain instances. In cases of more significant non-compliance or other deficiency, the Authority will encourage the directors to publish an amended report (i.e. including amended financial statements) in the interests of the users of that report. In circumstances where, having afforded an issuer's directors the opportunity to offer their comments and observations, the Authority considers that the publication of an amended report is the most appropriate corrective action in users' interests and the issuer's directors do not share that analysis, the Authority considers whether it is necessary to take formal enforcement action under the Transparency Regulations.

During the year the Authority continued successfully to secure outcomes that were proportionate and in users' interests. As a result, the Authority completed the year's review activity without having to resort to the exercise of statutory enforcement powers. Whilst the Authority will not hesitate to exercise such powers as and when considered necessary, the Authority continues to hold the view that the current approach, which is considerably less costly and, therefore, more efficient than statutory enforcement actions, should, to the extent practicable, remain the principal means of ensuring high quality statutory financial reporting. The extent to which this approach will continue to be practicable over the coming years will, however, be largely contingent upon issuers' continued willingness to engage positively with the Authority and to take the necessary steps to address adequately issues arising.

Set out in the Table across is a summary of issuers' responses to issues arising from reviews completed during the year.

Table 21: Issuers' responses to matters arising from reviews

Issuer category	No. of reviews where issuers' directors provided undertakings in respect of future periodic financial reports	No. of reviews where issuers' directors agreed to the voluntary publication of amended half-yearly financial reports	No. of reviews where issuers' directors agreed to the voluntary publication of amended annual financial reports	No. of issuers whose directors published non-voluntary amended financial reports
Equity	13	n/a	n/a	n/a
Fund	10	3	n/a	n/a
Debt	10	3	2	n/a
Total	33	6	2	n/a

Details of some of the items in respect of which issuers' directors provided undertakings in respect of future periodic financial reports, together with details of other matters raised with issuers' directors, can be found in section 3 of this Chapter. Readers should also note that the above Table reflects the number of issuers who took remedial action on the basis of Authority activities, rather than the number of individual financial reporting matters arising. For example, in the case of one equity issuer included in the above Table, the directors provided undertakings to effect improvements in future reports in respect of 13 separate matters.

The remainder of this Chapter elaborates on the Authority's financial reporting review activity during the year under the following headings:

- matters arising from the Authority's 2009 reviews, including selected Case Studies (Section 3);
- review activity in respect of the financial reporting of financial institutions and other issuers primarily engaging in financial services (Section 4); and
- activities relating to the enforcement of IFRS across the European Union (Section 5).

3. Matters arising from the Authority's 2009 reviews

3.1 Preface

With a view to providing readers with a flavour of the types of issues that arose during the course of examinations of periodic financial reports during the year, and of the Authority's responses to those issues, the following section sets out a number of Case Studies.

Some of the issues highlighted in the Case Studies that follow arose in the case of specific issuers while others were found to be a feature of two or more issuers' periodic financial reports. Whilst the identities of issuers that were reviewed during the year have been provided earlier in this Chapter, it is not considered necessary for the promotion of public confidence in statutory financial reporting to link these Case Studies to named issuers. However, as indicated in previous reports, the Authority will continue to assess the level of disclosure necessary to achieve its aim of promoting public confidence in statutory financial reporting.

It should be noted that the following Case Studies are, for the purposes of concise reporting, highly summarised and simplified versions of what were, in some cases, protracted engagements with issuers on, often, quite complex issues. Moreover, it is important to note that, for the purposes of illustration, Case Studies may reflect the amalgamation of a number of

similar cases.

3.2 Selected Case Studies

Case Study 1

Related party transactions - inconsistencies in covered institutions' interpretations as to what the term 'Government' includes

Background

In September, 2008, and in the context of the then prevailing turmoil in global financial markets, the Government announced its decision to introduce a Guarantee Scheme under which the Government guaranteed all deposits and other specified liabilities of certain credit institutions operating in Ireland ('covered institutions') until 29 September, 2010.

In October, 2008 the seven covered institutions⁵¹ completed the steps necessary to enable them to participate in the Guarantee Scheme. In January, 2009 Anglo Irish Bank Corporation Limited was taken into State ownership. In the following March, the Government provided recapitalisation funding to Bank of Ireland (in the form of €3.5bn in return for preference stock) and, in May, 2009, the Government similarly provided recapitalisation funding to Allied Irish Banks plc (through an investment of €3.5bn in return for preference shares). As a consequence of these events, the Government is a related party to each of the covered institutions.

Of the seven covered institutions, four come within the Authority's financial reporting supervisory remit (i.e. Allied Irish Banks plc, Anglo Irish Bank Corporation Limited, Bank of Ireland and Irish Life & Permanent plc) by virtue of their listings on the

ISE) ('relevant covered institutions').

Authority's response

Given the significance of these events, the Authority considered it appropriate to examine certain of the relevant covered institutions' periodic financial reports issued subsequent to September, 2008 with a view to assessing those institutions' compliance with the disclosure requirements of IAS 24 *Related Party Disclosures*.

Where there have been transactions with related parties during a reporting period, IAS 24 requires disclosure in the reporting entity's financial statements of the:

- nature of the reporting entity's relationship with related parties;
- the amount of the transactions undertaken with related parties during the reporting period;
- the reporting entity's period end balances with related parties (i.e. details of amounts owed to and/or by related parties); and
- information necessary for an understanding of the potential effects of the related party relationship on the financial statements.

The Authority's examination of relevant covered institutions' periodic financial reports identified inconsistent interpretations amongst those institutions regarding their relationship with Government, with the result that differing levels of disclosures were provided to users of the financial statements.

⁵¹ The institutions covered by the Scheme are:

- (i) Allied Irish Banks, plc. and its subsidiaries AIB Mortgage Bank, AIB Bank (CI) Limited, AIB Group (UK) plc and Allied Irish Banks North America Inc.;
- (ii) Anglo Irish Bank Corporation plc and its subsidiary Anglo Irish Bank Corporation (International) plc;
- (iii) The Governor and Company of the Bank of Ireland and its subsidiaries Bank of Ireland Mortgage Bank, ICS Building Society and Bank of Ireland (IOM) Limited;
- (iv) EBS Building Society and its subsidiary EBS Mortgage Finance;
- (v) Irish Life & Permanent plc and its subsidiary Irish Permanent (IOM) Limited;
- (vi) Irish Nationwide Building Society and its subsidiary Irish Nationwide (IOM) Limited; and
- (vii) Postbank Ireland Limited.

Whilst all four institutions identified the Government as a related party, either by virtue of the Guarantee or by virtue of recapitalisation, their interpretations as to what the term ‘Government’ constitutes varied as follows:

- i. all Government Departments, Consulates, Embassies, NAMA and the Post Office Savings Bank;
- ii. Government, its Departments and the Semi-State companies;
- iii. Government and other entities owned or sponsored by the Irish Government; and
- iv. Government (without further elaboration as to what this term constitutes).

Inconsistencies, deficiencies and other matters observed in the disclosures provided included:

- i. a failure to define adequately the term ‘Government’, with a consequent absence of disclosures regarding transactions and balances with Government entities;
- ii. an inconsistency of approach at individual institution level, e.g. it was observed that one institution considered all other covered institutions to be related parties while, in a subsequent report, the same institution took a contrary view;
- iii. the identification of the Minister for Finance and the National Pensions Reserve Fund Commission (‘NPRFC’) as related parties by virtue of the recapitalisation of an institution;
- iv. the provision of a disclosure to the effect that, although the Government is a related party, the directors considered it impracticable to disclose

the amount of transactions with Government due to the volume and diversity of such transactions; and

- v. disclosure of the existence of transactions with State bodies without the provision of details as to the amount of such transactions.

Outcome

In view of the range of interpretations observed and the resultant inconsistency in the information provided to users (both across institutions and at institution level over time), the Authority corresponded with the relevant covered institutions’ directors with a view to obtaining a better understanding of their respective rationales.

That engagement resulted in the Authority receiving undertakings from certain of those institutions in respect of their future periodic financial reports, such undertakings being in the nature of commitments to provide additional and enhanced disclosures in respect of related party transactions and balances with Government in future reporting periods.

In view of the foregoing, this is a topic that is likely to be revisited by the Authority in the context of its 2010 financial reporting review activities.

Case Study 2 Failure to prepare consolidated financial statements

Background

The debt issuer, a parent company, owning 100% of the share capital of a subsidiary, did not prepare a set of consolidated financial statements for the group. The Authority considered the argument that it was exempt from publishing consolidated financial statements on the basis that:

- the impact of not consolidating the only

subsidiary was not material, based on the percentage of the investment in the subsidiary over total assets; and

- it disclosed within the financial statements its ultimate parent company and the smallest/largest group in which it was consolidated.

Required accounting treatment

IAS 27 *Consolidated and Separate Financial Statements* requires, subject to certain exemptions, a parent company to prepare consolidated financial statements in which all subsidiaries are consolidated.

Outcome

Based on information provided by the issuer, consolidation of the investment in the subsidiary would have increased total equity and profit before tax by a significant proportion. Materiality requires an assessment of both the qualitative and quantitative aspects of the item, including consideration of both the size and nature of an item, judged in the surrounding circumstances.

The Authority did not accept the issuer's rationale that the impact on the financial statements (i.e. of not consolidating) was not material. Also, given that the issuer's securities had been admitted to trading on a public market, the issuer did not meet the criteria necessary to avail of the exemption from the requirement to prepare consolidated annual financial statements. Following correspondence with the issuer, the directors agreed with the Authority's assessment and prepared and published consolidated annual financial statements in accordance with the requirements of IAS 27. The directors also undertook to prepare consolidated financial statements for future reporting periods.

Case Study 3

Failure to provide various disclosures (including disclosures relating to financial instruments)

Background

The debt issuer presented its financial statements in accordance with Irish GAAP. Upon examination, several apparent instances of non-compliance with applicable accounting standards were identified in the issuer's financial statements, involving varying degrees of non-compliance. The principal accounting issues upon which the Authority corresponded with the issuer included, but were not limited to:

- the apparent omission of disclosures required by FRS 29 (*IFRS 7*) *Financial instruments: disclosures*;
- the apparent omission of selected accounting policy disclosures;
- clarification being considered necessary following an examination of the classification and presentation of selected items within the primary statements (Balance Sheet and Cash Flow Statement); and
- the apparent omission of disclosures required following reclassifications of selected comparative amounts.

Required accounting treatment

The objective of FRS 29 is to ensure that issuers provide disclosures in financial statements that enable users to evaluate the significance of financial instruments in the context of the reporting entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed, including how the entity manages those risks.

Outcome

An examination of the financial statements identified

that a number of disclosures required by FRS 29 had been omitted including, but not limited to, details of the following:

- the methods applied in determining fair values;
- the amount best representing the issuer's maximum exposure to credit risk; and
- details of the issuer's concentration risk⁵².

Furthermore, following correspondence with the Authority, the issuer acknowledged that several errors had occurred in the preparation of the financial statements.

Based on the findings of the review, the Authority concluded that the issuer had failed to comply in full with the requirements of FRS 29 as well as with a number of other accounting standards. As a consequence of the Authority's correspondence with the issuer, the directors prepared and published revised annual financial statements.

Case Study 4 **Failure to properly account for gains and losses on foreign currency translation**

Background

The issuer, a closed ended fund, included a note in its financial statements to the effect that the presentation currency of the financial statements was sterling, while the functional currency was euro. Foreign exchange gains and losses arising on translation from euro to sterling for the purposes of the compilation of the financial statements were recognised in the Income Statement.

Required accounting treatment

IAS 21 *The Effects of Changes in Foreign Exchange Rates* provides that an issuer may present its financial

statements in any currency ('presentation currency'). However, if the presentation currency differs from the functional currency (i.e. the currency of the primary economic environment in which it operates), the Standard requires that the financial statements, as prepared in the functional currency, must be translated into the presentation currency in accordance with the following procedure:

- assets and liabilities shall be translated at the closing rate of exchange (i.e. at the reporting date);
- income and expenses shall be translated at exchange rates at the dates of the transactions (i.e. at exchange rates throughout the year); and
- any resulting exchange differences shall be recognised as a separate component of equity (i.e. they shall not be recognised in the Income Statement).

Outcome

Having queried the issuer's accounting treatment of foreign currency exchange, the Authority concluded that the treatment did not comply with the requirements of IAS 21 in that the foreign exchange difference should not have been recognised in the Income Statement. Following correspondence on the matter, the issuer amended its treatment of this item in its subsequent financial statements. The restatement of the comparative amount resulted in a material increase in the reported loss for the comparative period.

Case Study 5 **Presentation of items outside 'Operating profit'**

Background

The equity issuer presented, on the face of its Income

⁵² Concentration risk refers to the extent to which the reporting entity is reliant on a particular class of investment for returns or liquidity, or reliant on a limited number of sources of finance/counterparties for funding.

Statement, a subtotal entitled 'Operating profit', below which a large expense item was presented, followed by finance income and expenses and the issuer's share of associates' profits. The sum of the above figures reconciled to 'Profit or loss for the period'. The Authority queried the nature of the large expense and, specifically, whether it was appropriate to classify it outside 'Operating profit'.

Required accounting treatment

Whilst IFRS neither requires nor precludes the disclosure of a subtotal of the results of operating activities on the face of the Income Statement (such as, for example, 'Operating profit'), IAS 1 *Presentation of Financial Statements* states that, where an issuer discloses such an amount, any such amount should be representative of activities that would normally be considered to be 'operating' in nature. The Standard further states that it would be misleading and would impair comparability if items of an operating nature were excluded from the results of operating activities, even if that had been industry practice.

Outcome

Given the prominence of a line item entitled 'Operating profit' on the face of an issuer's Income Statement and the focus placed on such a measure of performance by users of financial statements, the Authority queried the presentation of this item outside 'Operating profit'. Specifically, the nature of the abovementioned expense was queried, i.e. with a view to ascertaining whether it was operating in nature.

Having considered the rationale put forward by the issuer's directors for the accounting treatment set out above, it was concluded that the accounting treatment adopted was not in compliance with the requirements of IAS 1. This conclusion was based on the assessment that the costs concerned, whilst exceptional in nature and therefore meriting separate disclosure, arose from the issuer's operating activities.

Following correspondence with the issuer, the directors undertook to amend the classification and presentation of the item concerned in future financial reports and in the comparative amounts in respect of the period reviewed.

Case Study 6

Related party transactions – failure to provide required information in respect of the compensation of key management personnel

Background

The notes to the equity issuer's financial statements stated that key management personnel comprised of the executive team reporting to the Board and disclosed a single aggregated remuneration amount. It was further stated that the majority of this amount comprised short term employee benefits. No further analysis was provided.

Required accounting treatment

IAS 24 *Related Party Disclosures* defines key management personnel as '*those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity*'. The Standard requires that key management personnel's compensation be both (i) disclosed in total; and (ii) analysed under various headings (i.e. short-term employee benefits, post-employment benefits, other long-term benefits, termination benefits and share-based payments).

The materiality threshold for related party disclosures is not determined solely by quantitative comparison to primary statement totals, but, rather, is dependent on the size and nature of the transaction, judged in the particular circumstances of its omission or misstatement. In particular, information provided for stewardship and accountability purposes, such as disclosures of directors' remuneration and other related party disclosures are usually assessed primarily

on the basis of qualitative considerations. Thus, while such amounts may be relatively insignificant in comparison with the overall results of the entity, they may, nonetheless, be highly qualitatively material to a user seeking to assess the performance of management and the appropriateness of their continued stewardship of the issuer.

Outcome

Following correspondence with the issuer, the directors undertook to provide the required information in subsequent reports. As a result, the issuer's report in respect of the subsequent period provided details of:

- both executive and non-executive directors' remuneration; and
- share based payments to key management personnel.

Total remuneration was further analysed between basic salaries and bonuses, pension contributions, share based compensation expenses and executive directors' fees and expenses. The comparative amounts for the prior year were restated accordingly.

As a consequence, disclosed total remuneration of key management personnel was restated to include remuneration to all members of key management personnel, including executive directors. As a result, the reported remuneration increased by approximately 200%.

Case Study 7

Omission of segment disclosures in half-yearly financial reports

Background

The issuer, a closed-ended fund, invested directly and indirectly through other funds in emerging markets. The interim financial statements provided none of the disclosures required by IFRS 8 *Operating*

Segments and, accordingly, it was not readily apparent as to whether the issuer had adopted IFRS 8 for the period.

Required accounting treatment

IFRS 8 specifies how an entity should report information about its operating segments in annual financial statements and IAS 34 *Interim Financial Reporting* outlines the consequential information required for half-yearly financial reports. Furthermore, entity-wide disclosures concerning revenue derived from product and services, geographical information and selected information about major customers is required to be reported by all entities subject to IFRS 8 including those entities that have a single reportable segment.

In reviewing the financial statements, the Authority considered the following:

- the issuer's Board of directors is charged with the overall governance of the issuer in accordance with the issuer's bye laws and the prospectus, and changes to the investment strategy outside the prospectus must be approved by the Board and by the shareholders;
- the fund manager is responsible for decisions in relation to resource allocation, asset allocation and the delegation of any investment decisions to any sub-fund managers; and
- the issuer operates a single operating segment, being the investing of resources – directly or indirectly – in entities exposed to emerging markets, with all investment resources being managed at issuer level.

Outcome

The issuer accepted the Authority's assessment that IFRS 8 applied and provided undertakings to the Authority to comply in full with IFRS 8 in future periodic financial statements, i.e. to provide the

minimum entity-wide disclosures applicable to an entity subject to IFRS 8 with a single reportable segment.

3.3 Summary of certain other issues arising from reviews conducted during the year

In addition to the matters detailed in the preceding Case Studies, the following are some of the matters in respect of which issuers' directors provided undertakings to the Authority in respect of future periodic financial reports.

Table 22: Issues arising from reviews conducted

Summary of matters arising	Outcomes
<p>Financial instruments disclosures</p> <p>Requirements IFRS 7 <i>Financial Instruments: Disclosures</i>⁵³ requires issuers' financial reports to include disclosures of the categories of assets and liabilities held (as defined by IAS 32 <i>Financial Instruments: Presentation</i>⁵⁴) and disclosure of entities' objectives, policies and procedures for the measurement and management of risks (in qualitative and quantitative terms). Such disclosures should be based on information provided to key management personnel. It should also be user-specific and should not obscure important information.</p> <p>Findings The Authority's examinations identified varying degrees of non-compliance with these requirements. The Authority has noted that instances of non-compliance have been observed more frequently amongst fund and debt issuers as compared to equity issuers.</p>	<p>The nature of undertakings provided by issuers' directors for the purpose of enhancing future periodic financial reports included undertakings to provide enhanced disclosures regarding:</p> <ul style="list-style-type: none"> ■ exposure to concentration risk (both assets and funding); ■ counterparty risk; ■ credit risk and credit quality; ■ collateral received and pledged as security; ■ liquidity risk; and ■ sensitivity analysis.
<p>Fair value of financial instruments (including the use of valuation techniques)</p> <p>Requirements IAS 39 <i>Financial Instruments: Recognition and Measurement</i>⁵⁵ sets out how issuers should determine the 'fair value' of financial instruments (i.e. financial assets and liabilities). IFRS 7 sets out the information issuers are required to disclose in their periodic financial reports.</p> <p>Findings The Authority has noted an increase in the use of valuation techniques applied in determining the fair value of financial instruments recognised in issuers' periodic financial reports. In addition, issuers (and, in particular, debt issuers) have employed a range of formulations to describe the approach to valuing financial instruments, such as the use of 'arranger prices', 'third party prices' and 'broker prices'.</p> <p>The illiquidity in markets for financial instruments has focussed attention on the sources of fair values and, in particular, the basis for the determination of fair values which may include the use of valuation techniques (based wholly or partly on unobservable inputs).</p> <p>The determination of fair values and, in particular, those based on valuation techniques can be impacted significantly by judgements exercised by the directors (e.g. regarding the assumptions and techniques used), which are specific to the circumstances of the individual issuer and specific to a point in time.</p>	<p>The nature of undertakings obtained from issuers' directors included undertakings to effect improvements in the following areas:</p> <ul style="list-style-type: none"> ■ providing enhanced descriptions as to how issuers have determined fair value, e.g. based on quoted bid/ask price, recent transactions in the same instrument, transactions in a similar instrument (adjusted price), prices based on discounted cash flows, or other valuation techniques; ■ providing enhanced descriptions of the principal valuation techniques used; and ■ providing greater elaboration in respect of the significant assumptions underlying each valuation technique. <p>Where considered relevant and significant to the valuation technique being applied, issuers, and, in particular, debt issuers, were requested to include the following disclosures in future periodic financial statements:</p> <ul style="list-style-type: none"> ■ interest rates; ■ credit spreads; ■ cash flow estimates; ■ discount rates; ■ probability of default; and ■ volatility rates.

⁵³ FRS 29 (*IFRS 7 Financial Instruments: Disclosures*) is the equivalent Irish GAAP pronouncement.

⁵⁴ FRS 25 is the equivalent Irish GAAP pronouncement.

⁵⁵ FRS 26 (*IAS 39 Financial Instruments: Recognition and Measurement*) is the equivalent Irish GAAP pronouncement.

Summary of matters arising	Outcomes
<p>Related party disclosures</p> <p>Requirements IAS 24⁵⁶, company law and the Transparency Rules require disclosure of certain related party information.</p> <p>Findings The Authority's review activities identified, amongst others, the following examples of non-compliance with the relevant requirements:</p> <ul style="list-style-type: none"> ■ omission of related party notes entirely from financial reports. In particular, the interim financial reports of fund and debt issuers were observed to have omitted such detail; ■ failure to comprehensively identify related parties, including directors, service providers, material shareholders, and individuals connected with affiliated companies with whom the issuer had transactions; and ■ instances where, although related parties were identified, the nature of the related party relationship, the amount of transactions with those related parties and/or the amounts outstanding at the reporting date were not disclosed. 	<p>Undertakings were provided by a range of issuers as a consequence of interactions with the Authority to remedy deficiencies identified. These undertakings included, amongst others, undertakings to restate previously reported amounts in respect of key management personnel remuneration in future financial statements.</p>
<p>Explanatory notes</p> <p>Requirements IAS 1, IAS 34 and the ASB's Statement on Half-yearly Financial Reports ('the ASB Statement') require that issuers' financial reports include information that is relevant to an understanding of entities' financial position and financial performance.</p> <p>Findings Significant deficiencies in the level of compliance with the above requirements were identified during the course of the Authority's reviews.</p>	<p>As a consequence of the Authority's examination of issuers' half-yearly financial reports, the following are examples of instances of non-compliance with accounting standards in respect of which issuers' directors undertook to improve future half-yearly reports:</p> <ul style="list-style-type: none"> ■ omission of relevant explanatory notes and disclosures expected where significant movements on items presented on the balance sheet occurred during the six-month period; ■ absence of reference to the fact that a significant amount of an issuer's liabilities/funding fell due to be repaid during the next 12 months despite the issuer's stated ability to maintain a similar level of activity as reported in the Directors' Report accompanying the half-yearly financial report; ■ failure to disclose an accounting policy regarding financial instruments recognised in the half-yearly report, e.g. derivatives, hedging policy etc.; ■ the half-yearly financial report of selected debt issuers noted 'credit events' both in prior period financial reports and during the current half-yearly period. However, notwithstanding that the issuers had written credit protection potentially exposing the issuers to defined loss events, it was not readily apparent that the half-yearly financial reports complied in full with the requirements of IAS 10 <i>Events after the Reporting Period</i>⁵⁷; ■ in many instances it was not apparent as to whether selected issuers' half-yearly reports were intended to be a full set of financial statements, and thereby subject to the requirement to comply with full IFRS/FRS, or, alternatively, whether reports were intended to constitute condensed reports, which require to be prepared in compliance with IAS 34 or the ASB Statement.

⁵⁶ FRS 8 *Related Party Disclosures* is the equivalent Irish GAAP pronouncement.

⁵⁷ FRS 21 *Events After the Balance Sheet Date* is the equivalent Irish GAAP pronouncement.

Summary of matters arising	Outcomes
	<p>In addition, instances were noted in which it was not apparent as to whether:</p> <ul style="list-style-type: none"> ■ the same accounting policies had been applied in half-yearly financial reports as had been applied in the last annual financial statements; ■ any new accounting policies had been applied during the six month period; ■ a description of the changes in accounting policies had been disclosed; ■ the reasons for a change in accounting policy were disclosed; ■ when new accounting standards had been issued, but were not yet effective, whether a description of the impact on future financial reports had been provided; and ■ the comparative data presented in the Income Statement, Statement of Changes in Equity and the Cash Flow Statement had been presented for the correct comparative period. This was more prevalent in the case of fund and debt issuers.
<p>Offsetting of assets and liabilities</p> <p>Requirements A financial asset and financial liability, or income and expense should not be offset unless required or permitted by IFRS⁵⁸, except in circumstances where offsetting reflects the substance of the transaction. Offsetting detracts from the ability of users of financial reports to understand transactions and to assess future cash flows.</p> <p>Findings During the course of a review of a debt issuer's financial statements, the Authority identified that the issuer had disclosed within the explanatory notes, selected financial assets and financial liabilities gross. However, on the face of the Balance Sheet both current and comparative amounts were presented net.</p>	<p>Following correspondence with the issuer, the Authority obtained an undertaking from the directors that they would, in future reports, present the financial instruments in question gross on the Balance Sheet (and disclose the reason for the change in the presentation).</p>
<p>Hedge accounting</p> <p>Requirements IAS 39 specifies the accounting treatment to be applied in respect of cash flow hedges and fair value hedges in financial statements. IAS 39 specifies the conditions that must all be met in order for a hedging relationship to qualify for hedge accounting. Failure to meet these conditions could potentially have a major impact on the timing of the recognition of gains and losses and thus on the reported profit or loss of an issuer. IFRS 7 requires reporting entities to disclose information on the impact of certain hedging transactions.</p> <p>Findings Instances of non-compliance with the required accounting treatment, and particularly related disclosures, were identified in a number of cases subject to review by the Authority during the year.</p>	<p>As part of its review activity, the Authority sought additional explanations from issuers' directors regarding the use of hedge accounting – up to and including requesting the production of hedge documentation for a more detailed examination.</p> <p>As a result of the Authority's review activity, a number of issuers undertook to improve their standard of compliance with the disclosure requirements of paragraphs 22 to 24 of IFRS 7.</p> <p>An undertaking was secured from one issuer's directors to the effect that the periods when cash flows are expected to occur and when they are expected to affect profit or loss would be provided for users' benefit in future reports.</p> <p>Another issuer's directors undertook to disclose separately the ineffectiveness recognised in profit or loss that arises from cash flow hedges.</p>

⁵⁸ Paragraph 32 of IAS 1 *Presentation of Financial Statements* and paragraph 42 of IAS 32/FRS 25 refer.

Summary of matters arising	Outcomes
<p>Events after the reporting period</p> <p>Requirements IAS 10 requires the disclosure of the nature of non-adjusting events after the reporting period and their potential impact on the financial reports.</p> <p>Findings Examination of issuers' financial reports identified instances in which the disclosure of material non-adjusting events as required by IAS 10 had not been provided.</p>	<p>Undertakings obtained from issuers related to the disclosure in future financial reports of the nature of non-adjusting events after the reporting period and their potential impact on the financial reports (e.g. in the case of debt issuers, credit events impacting debt issued by the issuer and indicators of impairment on assets arising after the reporting date).</p>
<p>Reclassifications</p> <p>Requirements IAS 1 provides that specified information shall be provided in instances where comparative amounts are reclassified.</p> <p>Findings During the year, the Authority noted that a number of issuers' financial reports indicated that certain comparative data presented in either the primary statements and/or in the explanatory notes had been restated without providing an explanation of the particular circumstances that in the directors' judgement necessitated the restatement and/or lacked details of the amounts or class of line items affected.</p>	<p>The Authority received undertakings from issuers' directors to enhance disclosures in future financial reports relating to changes in the presentation or classification of items in the financial reports.</p>
<p>Statements of Cash Flows</p> <p>Requirements IAS 7⁵⁹ sets out the requirements for the presentation of Cash Flow Statements.</p> <p>Findings Instances of non-compliance with the requirements of the above Standard were identified from the Authority reviews.</p>	<p>Undertakings were obtained from issuers' directors relating to:</p> <ul style="list-style-type: none"> ■ the presentation of comparative information in future Cash Flow Statements; ■ the reporting of the impact of unrealised gains/losses arising from changes in exchange rates; and ■ the basis for the aggregation or netting of cash flows within Cash Flow Statements.
<p>Classification and presentation of assets and liabilities (as either current or non-current)</p> <p>Requirements In determining whether to classify financial instruments (assets and liabilities) as current or non-current, issuers' directors should have regard to the criteria described in paragraphs 66 to 76 of IAS 1. Assets that are expected to be realised within twelve months after the reporting date, sold, consumed, held for trading, or, are otherwise effectively unrestricted cash or cash equivalents are classified as current assets. All other assets should be classified as non-current. Similar criteria apply to the classification of current/non-current liabilities (paragraphs 69 to 76 of IAS 1 refer).</p> <p>Findings Instances were identified from reviews undertaken during the year where financial statements failed to provide sufficient information or failed to properly classify assets and liabilities.</p>	<p>Issuers' directors provided undertakings to enhance the quality of future periodic financial reports by giving increased levels of consideration to the classification and presentation of financial instruments and, where necessary, reclassifying comparative amounts and providing appropriate disclosures.</p>

⁵⁹ FRS 1 *Cash Flow Statements* is the equivalent Irish GAAP pronouncement.

Summary of matters arising	Outcomes
<p>Judgements, significant assumptions and key sources of uncertainty</p> <p>Requirements In preparing financial reports, judgements are made by directors that can have a significant effect on the amounts recognised in the financial statements (paragraph 122 of IAS 1 refers). Furthermore, paragraph 125 requires issuers to disclose information about the assumptions and other key sources of uncertainty that have a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities within the next financial year.</p> <p>Findings The Authority identified instances in which disclosures regarding areas involving a high degree of judgement or complexity and where assumptions or estimates are significant to the amounts recognised in the financial reports could be enhanced in users' interests.</p>	<p>In response to its engagement with relevant issuers' directors, the Authority has obtained undertakings from issuers to enhance the quality of future reports by improving disclosures in areas involving a high degree of judgement or complexity and where assumptions or estimates are significant to the amounts recognised in the financial reports. Specific areas in respect of which undertakings were obtained included:</p> <ul style="list-style-type: none"> ■ uncertainties and judgements concerning the valuation of investments; ■ impairment of goodwill; ■ the classification and presentation of investments (e.g. at fair value through profit or loss or available for sale); ■ the consolidation or non-consolidation of investment in subsidiaries or Special Purpose Entities; ■ accounting for defined benefit pension obligations; and ■ accounting for provisions and intangible assets.
<p>Management/Directors' Report</p> <p>Requirements Management Reports/Directors' Reports are required by section 13 of the Companies (Amendment) Act, 1986 and Regulations 4 to 8 of the Transparency Regulations to present a 'fair review' of the period and to be a 'balanced and comprehensive' analysis of the period.</p> <p>Findings Certain issuers were noted to have failed to provide a comprehensive analysis of the period in their Management Reports/Directors' Reports. It was further noted that certain issuers omitted Responsibility Statements from their periodic reports – such Statements being a requirement under Regulation 3(c).</p>	<p>Undertakings were obtained from issuers to:</p> <ul style="list-style-type: none"> ■ enhance the information to be provided in such reports in future periods; and ■ to include Responsibility Statements in future reports.
<p>Retirement benefit obligations</p> <p>Requirements IAS 19 <i>Employee Benefits</i> requires disclosure of a narrative description of the basis used to determine the overall expected return on plan assets, including the effect of the major categories of plan assets.</p> <p>Findings A number of equity issuers were noted to have omitted to provide the required disclosures.</p>	<p>Issuers undertook to enhance the narrative disclosure of the basis used to determine the overall expected return on plan assets, including the effect of the major categories of plan assets (paragraph 120A(l) of IAS 19 refers).</p>
<p>Key performance indicators ('KPIs')</p> <p>Requirements Transparency Rule 6.1⁶⁰ requires the inclusion in annual financial reports of a fair review of the development, performance and position of the business using key performance indicators, both financial and non-financial.</p> <p>Findings A significant number of issuers were noted as having provided non-GAAP performance measures which were not clearly defined, and, where amounts used to calculate such KPIs had been adjusted from those shown in the financial statements, without provision of reconciliations to aid users' understanding.</p>	<p>The Authority continues to encourage issuers using such KPIs to ensure that such measures are clearly explained, and where amounts used to calculate such KPIs have been adjusted from those shown in the financial statements, to provide reconciliations necessary to aid users' understanding.</p>

⁶⁰ Section 13 of the Companies (Amendment) Act 1986 contains a similar requirement in relation to the information to be included in the Directors' Report.

4. Review activity in respect of the financial reporting of financial institutions and other issuers primarily engaging in financial services

4.1 Background and associated risk considerations

Consequent to the global financial crisis precipitated by the sub-prime crisis in the US, the subsequent collapse of Lehman Brothers and the failure of Icelandic banks, the financial reporting risks attaching to financial institutions and other issuers primarily engaging in financial services have increased significantly in recent times.

These global factors impacted significantly on Irish financial services issuers and were accompanied by a number of domestic factors, including a slowdown in domestic economic activity, a fall in property values and the deterioration of the public finances. As a response to this combination of events, the Government introduced the Guarantee Scheme, appointed public interest directors to the Boards of certain institutions, nationalised Anglo Irish Bank Corporation Limited ('Anglo')⁶¹, introduced capital into Allied Irish Banks plc ('AIB') and The Governor and Company of the Bank of Ireland ('BoI') and enacted legislation during 2009 for the purpose of establishing the National Asset Management Agency ('NAMA').

Moreover, these general economic factors, combined with a number of issuer specific matters - most significantly those in respect of Anglo - have had the effect of elevating public concern and heightening the risks associated with the financial reporting practices of certain Irish financial institutions. As a result, and in accordance with its risk-based selection process, the financial reporting of financial institutions and other issuers primarily engaging in financial services became a significant focus for the financial reporting

supervision activities of the Authority during 2009.

The remainder of this section summarises the Authority's response to the aforementioned heightened risks. Specifically:

- three financial reporting issues which required consideration arising from information about certain transactions and events which came into the public domain regarding Anglo and Irish Life & Permanent plc ('IL&P') are considered; and
- the Authority's financial reporting review activities in respect of other financial reporting matters relevant to the main domestic financial institutions within remit (namely, AIB, Anglo, BoI and IL&P)⁶² and other issuers principally engaging in financial services are outlined.

Whilst the Authority's enquiries in respect of certain matters were ongoing at year end, the following aims to provide readers with a broad understanding of the Authority's approach to the matters arising.

4.2 Specific matters of relevance to Anglo and IL&P

In December, 2008 and February, 2009 respectively, information concerning certain transactions and events at Anglo, some of which having occurred over a number of years, came into the public domain. Certain of these transactions also involved IL&P. These transactions and events, which include significant corporate governance, company law and financial reporting dimensions, attracted significant regulatory attention during 2009. As a consequence, these transactions are currently the subject of a number of investigations, including investigations initiated by An Garda Síochána, the Financial Regulator and the Office of the Director of Corporate Enforcement as well as having given rise to the appointment of a Special Investigator by

⁶¹ Anglo Irish Bank Corporation plc re-registered as a private company following its nationalisation in January, 2009.

⁶² Readers may find it useful to note that the Educational Building Society and the Irish Nationwide Building Society are outside the scope of the Authority's financial reporting supervisory remit.

the ICAI's Complaints Committee (see Chapter 3, section 5 for further details on the latter).

Having regard to its statutory remit and functions, the focus of the Authority has been on any implications that these transactions and events may have had for the statutory financial reporting of the issuers concerned and, specifically, on whether the transactions and events concerned have been appropriately recognised, measured, presented and disclosed in the affected issuers' relevant periodic financial reports.

In that regard, the accounting components of the following transactions and events were examined by the Authority during the year:

- i. inter-institutional transactions between Anglo and IL&P around each institution's reporting dates;
- ii. the temporary refinancing of certain Anglo loans with Irish Nationwide Building Society at certain of Anglo's reporting dates; and
- iii. the advancing of loans by Anglo to certain customers and directors, where the security consisted of shares in the company.

In addition to its examination of the above transactions and events, the Authority also engaged with Anglo and IL&P in respect of certain other financial reporting matters common across the domestic financial institutions. Sections 4.7 to 4.11 provide a more detailed discussion of these issues.

The relevant periodic financial reports which became the particular focus of attention in the Authority's examinations of these matters were as follows:

- Anglo's half-yearly financial report for the six months ended 31 March, 2008 ('Anglo's 2008 HY Report'), which was published on 7 May, 2008;

- Anglo's annual financial report for the year ended 30 September, 2008 ('Anglo's 2008 FY Report'), which was published on 20 February, 2009; and
- IL&P's half-yearly financial report for the six months ended 30 June, 2008 ('IL&P's 2008 HY Report'), which was published on 27 August, 2008.

As the Authority's remit over issuers' financial reporting extends only to periodic financial reports for financial years commencing on or after 20 January, 2007, the annual and half-yearly financial reports of Anglo and IL&P in respect of 2007 and earlier do not come within the Authority's scope and, accordingly, the Authority has no statutory entitlement to seek information in respect of same.

4.3 Inter-institutional transactions

In February, 2009 both Anglo and IL&P made public disclosures setting out the details of certain transactions between the two institutions which occurred across each institution's reporting dates as follows:

- on 31 March, 2008 IL&P, through its non-bank subsidiary Irish Life Assurance plc ('ILA'), deposited €750m with Anglo overnight on receipt of €1bn by Permanent TSB from Anglo;
- at 30 June, 2008 Anglo provided approximately €3.4bn in interbank deposits to IL&P through a security repurchase agreement. IL&P's total outstanding amount for security repurchase agreements at that date was €7.73bn;
- during September, 2008 IL&P, through its non-bank subsidiary ILA, deposited a total of €3.45bn with Anglo, with Anglo placing a corresponding €3.45bn with Permanent TSB. These transactions matured in early October, 2008; and

- on 30 September, 2008 IL&P, through its non-bank subsidiary ILA, deposited a total of €4bn with Anglo overnight on receipt of €4 billion into Permanent TSB. These transactions matured on 1 October, 2008.

The principal accounting issues which required consideration in respect of these transactions related to presentation and disclosure and, in particular, as to whether, in accordance with relevant accounting pronouncements:

- each placement and corresponding deposit should have been presented separately as assets and liabilities respectively ('gross presentation') in the relevant institutions' Balance Sheets or whether the asset and liability should have been set-off against each other with any residual balance presented as a single asset or liability as appropriate ('net presentation');
- the amounts received and placed (and, in particular, amounts received by Anglo from ILA) were classified and presented as funding from either a bank or customer counterparty as appropriate;
- the disclosure of the details of the transactions in Anglo's and IL&P's 2008 HY and FY Reports was sufficient to provide users with an understanding of the impact of the transactions on the entity; and
- there were any further transactions of a similar nature with the same or other counterparties, which should have been disclosed either in respect of the current year, or the comparative period.

For the purposes of evaluating the accounting treatment applied to these transactions by Anglo in its 2008 HY and FY Reports, the following information was requested from Anglo's directors during the year:

- i. copies of agreements, contracts, term sheets and similar documentation pertaining to the transactions with IL&P;
- ii. details of the cash flows pertaining to these transactions and, in particular, the sequence of each individual cash flow movement;
- iii. an explanation as to the commercial and/or other rationale for these transactions in that particular form and at that particular time;
- iv. in the context of Anglo stating that it had sought these funds from IL&P against the background of a global liquidity crisis and the mutual provision of support, an explanation as to how, in the directors' assessment, these transactions assisted Anglo with its liquidity and/or other objectives;
- v. confirmation as to whether Anglo had requested that a deposit be placed with it *via* a non-bank affiliate of IL&P;
- vi. details as to how the transactions were settled, with an explanation of the cash flows arising (together with a request for any documentary records of the request from IL&P that the transactions be settled net); and
- vii. details as to whether any transactions which could be considered analogous to those referred to above had been entered into at, or around, the year end of 30 September, 2007 (i.e. in the context of the comparative amounts in the Report), and if so, full details of any such transactions.

In addition to requesting information, explanations and clarifications from the directors, given that Anglo is regulated by the Financial Regulator, the Authority also engaged with the Financial Regulator on these matters during the year. Specifically, the Authority made a number of information requests to the

Financial Regulator for the purpose of establishing whether any information in the Regulator's possession might have a bearing on the Authority's consideration of the financial reporting issues under review. At year end, the Authority was in ongoing communication with the Financial Regulator with a view to concluding consideration of these matters as expeditiously as possible.

In respect of IL&P's 2008 HY Report, IL&P's directors were requested to provide information and clarifications concerning the accounting treatment of the relevant transactions at 30 June, 2008, including details of the following:

- i. the component parts of the asset and liability of €7.73bn;
- ii. the counterparties in respect of each component transaction;
- iii. the term, maturity dates, and security provided in respect of each component transaction;
- iv. the rationale for each component transaction;
- v. the accounting treatment adopted, including details of the Balance Sheet line items in which each component was included;
- vi. details of any additional transactions with the same counterparties, or of similar value, duration or maturity;
- vii. the accounting treatment adopted in respect of significant transactions, including those of short term duration, undertaken near to the reporting date; and
- viii. the nature of any significant transactions which reversed in the days/weeks following the reporting date, including the rationale for entering into such transactions in the first

instance.

As a result of the Authority's enquiries, IL&P's directors have undertaken to enhance future half-yearly reports by providing disclosures in respect of inter-institution transactions in those half-yearly reports similar to those provided in their annual financial reports.

It is important to note that the Authority's consideration of these matters was limited to an examination of the relevant issuers' annual and half-yearly financial reports and did not extend to an examination of those issuers' preliminary announcements, over which the Authority has no statutory remit. Consequently, while circumstances may arise from time to time in which public confidence in the quality and reliability of statutory financial reporting may sustain damage as a result of actual or perceived deficiencies in preliminary announcements, the Authority has no statutory authority to make enquiries of directors regarding such announcements or to take enforcement action in respect of same.

4.4 Temporary refinancing of loans

In December, 2008 Anglo announced that the, then, Chairman and another director had resigned from the Board arising from the fact that, over a period of up to eight years to 2007, loans which they had obtained from Anglo had been temporarily transferred to another financial institution prior to Anglo's financial year end date, which Anglo noted was, from a transparency point of view, inappropriate.

The principal financial reporting issue which required consideration in this context related to whether the financial statements contained the disclosures required by IAS 24 *Related party disclosures* concerning the nature of the transactions and balances, together with details of their amounts, terms and conditions, security and guarantees given or received, provisions

and expenses for doubtful debts, as well as the required company law disclosures.

On publication of Anglo's 2008 FY Report (as detailed above, the Authority has no remit over issuers' preliminary announcements), the Authority conducted an examination of the directors' accounting treatment of transactions with key management personnel, and in particular in respect of directors' loans. That examination, which was also informed by certain information received from the Financial Regulator, concluded that the 2008 FY Report provided the required information regarding loans advanced to, and loan repayments received from, key management personnel, including directors as well as comparative amounts in respect of 2007. That report also provided further details regarding the nature of the transactions and period end balances. On that basis, the examination led to the conclusion that, in all material respects, the information required by IFRS had been provided in that report.

The Authority further queried Anglo's directors regarding the HY 2008 Report. As a result, the directors undertook to provide detailed related party disclosures (including comparative amounts) in respect of matters that had not been included in the previous half-yearly financial report, including the disclosure that, as at 31 March, 2008, loans outstanding to the former Chairman stood at €119.8m. These undertakings resulted in Anglo's half-yearly financial report for the six months ended 31 March, 2009 providing information in respect of related parties in a form and level of detail consistent with that provided in its 2008 FY Report.

While the 2008 FY Report contained, in all material respects, the disclosures required by IFRS, it should be noted that there remains a question, from a financial reporting perspective, as to whether the non-disclosure of these transactions in the financial reporting periods to 30 September, 2007 and

previously, represent non-compliance with the, then, applicable financial reporting standards. However, as outlined earlier, given that these periodic financial reports do not come within the Authority's statutory financial reporting supervisory remit, the Authority is not empowered to make enquiries of the directors in respect of those reports, nor in respect of any earlier version of the 2008 FY Report which was not made public pursuant to the requirements of the Transparency Regulations.

4.5 Loans secured on Anglo shares

Anglo's FY 2008 Report disclosed that loans had been extended to a number of Anglo's customers (the so-called 'Maple 10' loans), with the security for such loans consisting of shares in the bank. That Report further disclosed, as a non-adjusting post balance sheet event, that the impairment charge for the six months ending 31 March, 2009 would include a charge in respect of losses incurred on lending where the security consisted of shares in Anglo as, following the nationalisation of Anglo on 21 January, 2009, the value of collateral held against such loans had been significantly reduced.

The principal accounting issue requiring consideration in respect of this matter related to whether an impairment charge should have been recognised in the 2008 FY Report. In that regard, the following information was requested from Anglo's directors during the year:

- i. details of the directors' rationale for determining that there was no indication that the asset was impaired at the reporting date; and
- ii. details of the impairment calculations and workings performed at 30 September, 2008 in respect of loans secured on shares in Anglo.

In response to those requests, the directors provided the Authority with details of their rationale for determining that, by virtue of the combination

of the value of the shares held as collateral as at 30 September, 2008 and the additional recourse against the individual borrowers' personal assets, there was no evidence, as at 30 September, 2008, of impairment on these loans. At year end, the Authority's evaluation of this matter was ongoing in the context of its consideration of impairments more generally, which is further elaborated upon in section 4.8 below.

The scope of the Authority's examination did not extend to consideration of the appropriateness or legality of Anglo advancing funds to finance the purchase of shares in Anglo, which are matters that are outside the Authority's remit.

4.6 Co-operation with third parties

As referred to above, certain of the abovementioned transactions and events have resulted in the initiation of enquiries by other statutory Bodies, including An Garda Síochána, the Financial Regulator and the Office of the Director of Corporate Enforcement. In that context, and in addition to receiving certain information from the Financial Regulator, during the year the Authority shared certain information regarding these matters with the:

- Financial Regulator; and
- Office of the Director of Corporate Enforcement.

In addition, the Authority also shared certain information with the Special Investigator appointed by the ICAI to investigate the role played by certain of that Institute's members in events at the bank (the Special Investigator's appointment and role are discussed in further detail in Chapter 3 of this Report).

Post year end, and prior to the approval of this Report by the Board, the Authority also shared certain information relating to these matters with An Garda Síochána.

While the Authority has, as set out above, made a substantial volume of enquiries of those issuers' directors and has sought information, explanations and clarifications of the directors consistent with its statutory mandate, it is important to recognise that the Office of the Director of Corporate Enforcement and An Garda Síochána, both of whom have criminal investigative mandates, may have acquired other insights arising from:

- original and copy documents acquired under criminal investigative powers (e.g. through the exercise of search warrants); and
- their evaluation of such documentation in the context of issuers' broader legislative and other requirements.

Accordingly, the above discussion of the events and transactions in question cannot, and does not purport to, represent a definitive conclusion on the relevant issuers' compliance with all applicable legislative requirements much of which, including all matters relating to criminal law, are outside the Authority's statutory remit.

4.7 Other matters relating to the financial reporting of financial institutions and other issuers primarily engaging in financial services

In response to the heightened risk factors attaching to financial institutions and other issuers primarily engaging in financial services, and in addition to the examinations detailed above and the Authority's routine review activity, the Authority engaged as considered necessary with domestic financial institutions under its remit⁶² and with fund and

debt issuers for the purpose of assessing practice in respect of certain financial reporting issues common to such issuers. Set out in the following paragraphs is a summary of the principal matters raised in that context.

4.8 Impairments

The approach to impairment of financial assets as prescribed under existing accounting standards is an ‘incurred loss’ model⁶³. Under this model, loans may be written down (impaired) only when evidence is available that a loan or portfolio of loans will not be repaid in full. Such evidence (a ‘trigger event’) may be specific to an individual loan (e.g. a bankruptcy) or an event that is likely to lead to defaults across a portfolio of loans (e.g. an increase in unemployment and a downturn in the property market may lead to an increase in mortgage defaults). Under the incurred loss model expected future credit losses are not permitted to be recognised until a trigger (loss) event has occurred. This has resulted in the incurred loss model being criticised during the global financial crisis for recognising expected losses too late, i.e. by not permitting issuers to recognise expected losses but, rather, only permitting them to recognise losses when they have been incurred.

When a loan is extended, the risk of default is included in the lender’s calculation of the applicable interest rate. However, the currently required accounting treatment assumes that the loan will be repaid in full unless, at some point during the loan’s life, evidence is provided to the contrary. Therefore, under the incurred loss model, until a trigger event occurs the full contractual interest is recognised as revenue. When a trigger event occurs the impairment is recorded, resulting in an abrupt adjustment in the Income Statement. This pattern occurs even if the

amount of that loss had always been expected (e.g. reflects historical experience). The high recognition of interest revenue until actual evidence of a trigger event occurs has been criticised for not reflecting that future credit losses are expected across a portfolio of loans. Additionally, in practice, issuers may use different trigger events or assess the same trigger events differently.

In November 2009, and against the backdrop of the international financial crisis, the IASB published proposals to alter the current accounting requirements to an ‘expected loss’ impairment method⁶⁴.

The proposed expected loss model would, if adopted, require issuers to:

- determine the expected credit losses on a financial asset when that asset is first obtained;
- recognise contractual interest revenue, less the initial expected credit losses, over the life of the instrument;
- build up a provision over the life of the instrument for the expected credit losses;
- at each reporting date, reassess the expected credit loss; and
- recognise immediately the effects of any changes in credit loss expectations.

However, for the period under review, the incurred loss model was, and indeed still is, that which issuers were required to apply under the accounting standards in force. Therefore, issuers were, and are,

⁶³ Paragraph BC 109 of IAS 39 states that ‘impairment losses should be recognised only if they have been incurred’, and paragraph BC 110 states that ‘for a loss to be incurred, an event that provides evidence of impairment must have occurred after initial recognition of the financial asset... Possible or expected future trends that may lead to a loss in the future ... do not provide objective evidence of impairment ...’

⁶⁴ Exposure Draft ED/2009/12 *Financial Instruments: Amortised Cost and Impairment* (November, 2009). This is the second instalment of a three-part IASB project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The three parts deal with: (i) classification and measurement; (ii) amortised cost and impairment (loan loss provisions); and (iii) hedge accounting.

currently permitted to account for credit losses on financial assets only if:

- an event (or a combination of events) has occurred that has a negative effect on future cash flows; and
- that effect could be reliably estimated.

Consequently, issuers were, and still are, not permitted to consider the effects of future expected losses in their financial statements.

Against the backdrop of the foregoing, matters in respect of which the Authority requested information, explanations and clarifications from issuers' directors included:

- the threshold amounts used in determining whether financial assets were considered as being '*individually significant*' for the purposes of determining whether objective evidence of impairment existed;
- the proportion of financial assets that were (i) considered '*individually significant*'; and (ii) assessed for impairment, on an individual basis, for the reporting period;
- clarification as to whether there were any changes to the threshold amounts and proportions in the current reporting period;
- details of the significant assumptions used in assessing each of:
 - the cashflows that may result from foreclosure; and
 - the costs associated with obtaining and disposing of collateral;
- elaboration, in both narrative and quantitative terms, on the key assumptions and parameters

underlying estimations of the present value of future cash flows for each portfolio of loans collectively evaluated for impairment and the level of the IBNR⁶⁵ provision (e.g. interest rates, price trends, bankruptcy trends, unemployment rates, loss experience, level of arrears, migration rates, timing and amount of the realisation of collateral etc.);

- elaboration as to how such key assumptions and parameters, based on historic loss experience, had been adjusted to reflect current observable data, including the nature of such data and the type of adjustment(s) arising, together with the basis on which those adjustments had been determined;
- elaboration as to the factors giving rise to a decrease/increase in the coverage ratio of the impairment provision to impaired loans;
- with regard to renegotiated loans, details of the rationale for the directors' judgement that:
 - there was no objective evidence of impairment in relation to any of these renegotiated loans; or
 - that there was no loss arising on any of these loans when the carrying amount was measured against the present value of estimated future cash flows discounted at the original effective interest rate;
- clarification as to whether the issuer had any loans whose terms and conditions had been amended and on which an impairment loss had been recognised in the current reporting period, and if so, the aggregate amount of any such loans and the impairment charge for the period;
- details of issuers' methodologies in identifying the need for the subsequent re-classification of renegotiated loans as 'impaired';

- the total amount outstanding in respect of renegotiated loans as at the reporting date which had been classified as being of performing status which, in the absence of renegotiation, would otherwise have been classified as impaired;
- the amount, if any, of interest rolled up into renegotiated loans during the relevant period;
- details of the criteria applied by issuers in determining whether to upgrade loans from impaired to performing status, together with details of issuers' review processes in this regard; and
- details of all adjusting and non-adjusting post balance sheet events that were considered by issuers' directors in assessing and arriving at impairment provisions. In respect of each adjusting and non-adjusting post balance sheet event identified, issuers' directors' conclusions as to the adjusting/non-adjusting nature of the events concerned was also sought, together with details of the rationale underpinning each conclusion.

In addition to seeking certain information, explanations and clarifications from relevant issuers' directors on the subject matter of impairments during the year, the Authority also initiated contact with the Financial Regulator for the purpose of establishing whether the Financial Regulator might be in a position to assist the Authority in its evaluation of the basis on which impairment provisions in one particular financial institution had been determined. The Authority's examination of certain domestic financial institutions' impairments, and its associated

engagement with the Financial Regulator, was ongoing at year end.

4.9 Valuations

The markets for the pricing of selected financial instruments were characterised by ongoing illiquidity during the year. In that context, the requirements in respect of the measurement and disclosure of the fair value of financial instruments are laid down in IAS 39 (paragraphs 48 and 48A refer) and in IFRS 7 respectively. In response to the valuation difficulties resulting from illiquid markets, the IASB issued a number of amendments to IAS 39 and IFRS 7 during 2008 and 2009 concerning, amongst other matters, the reporting of valuations of financial instruments⁶⁶.

Pursuant to IAS 39, if the market for a financial instrument is not active, the reporting entity establishes fair value by using a valuation technique (which may be based in whole or in part upon unobservable prices/inputs). Valuation techniques are subjective in nature and, accordingly, the amounts recognised in financial statements can be impacted by the judgements made by the directors in arriving at valuations. Similarly, the valuations recognised in issuers' financial statements are affected by the significant assumptions underpinning the valuation techniques applied (changes in assumptions to reasonably possible alternatives can significantly impact the fair value calculated by valuation techniques).

Against this backdrop the Authority considered it appropriate to devote resources towards examining certain issuers' approaches to the valuation of selected financial instruments. In that context,

⁶⁵ Incurred But Not Reported – 'An entity should recognise an impairment on a group of loans if its loss expectation at initial recognition of the loans had not changed but the entity could estimate reliably, on the basis of the past, that loss events occurred after initial recognition, but before the reporting date ... An entity should recognise such an incurred impairment loss that is supported by objective evidence, which might not have been reported before the entity's reporting date. However, an impairment loss could not be recognised if relevant events had not been recognised' (IFRIC – items not added to the agenda, October, 2004).

⁶⁶ Reclassification of Financial Assets (issued October, 2008 and effective 1 July, 2008), Reclassification of Financial Assets - Effective date and Transition (issued November, 2008 and effective 1 July, 2008) and Improving Disclosures about Financial Instruments (issued March, 2009 and effective 1 January, 2009).

matters in respect of which the Authority sought information, explanations and clarifications included:

- details of the methods and, where a valuation technique was employed, assumptions applied in determining fair values for each class of financial assets and financial liabilities;
- details of the changes in fair value recognised in profit or loss (and amounts recognised on issuers' Balance Sheets) that were estimated using a valuation technique based on assumptions that were not:
 - supported by prices obtained from observable current market transactions in the same instrument; and
 - based on available observable market data;
- details of the effect (expressed in monetary terms) on fair values of changing one or more of those assumptions to reasonably possible alternatives;
- details regarding the accounting policy adopted in relation to repossessed assets (including the measurement thereof); and
- details of the fair value gains or losses on the financial assets (reclassified financial assets) recognised in profit or loss in that reporting period and in the previous reporting period.

In response to these enquiries, certain issuers provided undertakings to provide enhanced disclosures in future periodic financial reports regarding the basis on which selected financial instruments have been valued.

4.10 Related party disclosures

Consequent upon the introduction of the Guarantee Scheme, the appointment of public interest directors to certain institutions' Boards, the nationalisation

of Anglo and the recapitalisation of AIB and BoI, the State is now a related party to the affected institutions.

In this context, and in the context of the requirements of IAS 24 *Related Party Disclosures*, company law requirements and amendments thereto during the year, the Authority engaged with the domestic financial institutions under its remit⁶² on their respective approaches towards accounting for related party transactions and balances with the Government. This engagement was informed by the, apparent, differing levels of disclosure provided by the issuers concerned in their 2009 half-yearly reports. Readers should refer to Case Study 1, which deals with this matter further.

As a result of the Authority's enquiries in this regard, a number of undertakings were received from issuers' directors, including:

- undertakings to disclose transactions with related parties (including the Government) in accordance with paragraphs 16 and 17 of IAS 34 (i.e. transactions with related parties) sufficient to *'provide an explanation of events and changes that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period'*⁶⁷ in future half-yearly financial reports;
- undertakings to disclose the following in future financial reports (including information in respect of comparative amounts):
 - a. the nature of the related party relationship;
 - b. details of the amounts of transactions with related parties;
 - c. the amount of outstanding balances, their terms and conditions and details of any guarantees given or received;

- d. provisions for doubtful debts relating to amounts outstanding; and
 - e. expense recognised in respect of bad or doubtful debts due from related parties.
- undertakings to review related party disclosures with a view to enhancing and clarifying those disclosures in future periodic financial statements; and
 - undertakings to include the Government as a related party in future periodic financial statements and to provide the required disclosures, including comparative amounts.
- Certain issuers were also reminded that, while the IASB has agreed amendments to IAS 24, those amendments have not been endorsed by the EU and, consequently, the revised IAS 24 does not form part of the relevant reporting framework at this time.
- repossessed assets;
 - retirement benefits;
 - lease disclosures;
 - contingent liabilities;
 - investment properties;
 - reinsurance contracts;
 - segmental reporting;
 - deferred tax on temporary differences; and
 - joint ventures.

4.11 Other financial reporting matters

Other matters in respect of which the Authority engaged with directors of financial institutions and fund and debt issuers during the year included:

- accounting policies – changes in accounting estimates;
- concentration risk;
- treatment of the cash flows relating to debt securities in issue;
- assets classified as held for sale;
- redemption of subordinated liabilities;
- share-based compensation schemes;

5. Enforcement of IFRS across the European Union - EECS

5.1 Background to the Authority’s membership of the EECS

The background to the establishment of the CESR-sponsored EECS⁶⁸ was set out in detail in the Authority’s first Annual Report⁶⁹ and is not, therefore, reproduced in this Report. In summary, the EECS was established with a view of facilitating the co-ordination and consistency of financial reporting enforcement practices across the EU. To that end, its membership includes both organisations that are securities regulators (and are, therefore, CESR members) and where Member States’ financial reporting enforcement responsibilities do not reside with the national securities regulator (as is the case in Ireland⁷⁰), non-CESR members. It is in this context that the Authority is a member of the EECS.

In the context of the foregoing, it is important to note that the EECS does not take enforcement decisions. Rather, while enforcement decisions are

⁶⁷ IAS 34 *Interim Financial Reporting*, paragraph 15 refers.
⁶⁸ European Enforcers’ Co-ordination Sessions.
⁶⁹ Section 4 of Chapter 2 of the Authority’s 2006 Annual Report refers.
⁷⁰ The Financial Regulator, which is a CESR member, is also a member of the EECS.

taken by Member States' national enforcement authorities, the EECS serves as a forum whereby EU financial reporting enforcement authorities discuss decisions taken by enforcement authorities and share perspectives, experiences and knowledge with each other. Similarly, the EECS does not issue interpretations of IFRS, which remains the role of the International Financial Reporting Interpretations Committee (IFRIC).

5.2 EECS enforcement decisions database

With a view to fostering the consistent enforcement of IFRS across the EU, EECS members' enforcement decisions are recorded on a confidential database for members' future reference. While such decisions do not constitute precedent and are not, therefore, binding on other financial reporting enforcement authorities, the purpose of the database is to enable EU financial reporting enforcement authorities to consider decisions taken by their counterparts on similar issues and to determine the extent to which regard might appropriately be had to same in their own decision making processes - while having regard to the fact that the circumstances surrounding individual issues are rarely the same.

As at 31 December, 2009 approximately 350 decisions had been submitted to the database by EECS members. For the benefit of preparers and other stakeholders, summaries of enforcement decisions taken by EECS members are published periodically. During 2009, CESR published its fifth, sixth and seventh such summaries (on 24 March, 26 August and 16 December respectively). Those summaries published by CESR to date, which do not name the issuers concerned, can be accessed on the Authority's website at <http://www.iaasa.ie/publications/index.htm>

5.3 EECS activities

During the year, the EECS' principal activities included:

- considering issues giving rise to enforcement in Member States and sharing perspectives thereon;
- discussing decisions taken by other enforcement authorities;
- discussing emerging issues of interest to financial reporting enforcers;
- maintaining and augmenting the confidential database of enforcement decisions;
- publishing, for the benefit of issuers and other interested parties, summaries of enforcement decisions posted to the EECS database;
- publishing (*via* CESR) an analysis of the compliance of European financial institutions with financial reporting disclosure requirements related to financial instruments⁷¹; and
- hosting (*via* CESR) a roundtable session with accounting enforcers from 33 countries, representatives of the International Accounting Standards Board (IASB) and auditors to discuss the enforcement of IFRS and enforcement decisions taken around the world.

5.4 Authority participation in the EECS

During the year:

- Authority staff attended all 7 EECS plenary meetings and actively participated in the consideration of issues brought to the EECS by other members;
- the Authority submitted 13 decisions to the database;
- Authority staff presented 8 decisions to the plenary for discussion;
- the Authority submitted 2 emerging cases to the

plenary for discussion;

- Authority staff presented 5 discussion papers to the plenary for discussion amongst members. The subject matter of those discussion papers included:
 - the impact of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* and IAS 24 *Related Party Disclosures* on State participation in the ownership of banks and the impact of NAMA⁷²;
 - IFRS 3 *Business Combinations* and factors contributing to the recognition of goodwill;
 - IAS 1 *Presentation of Financial Statements* and the classification of bank loans in circumstances of non-compliance with loan covenants; and
 - IFRS 8 *Operating Segments* and the identification of Cash Generating Units for the purposes of impairment testing;
- hosted, in conjunction with the Financial Regulator, a meeting of EECS in July, 2009 at Dublin Castle which was attended by representatives of EU accounting enforcers from 19 countries; and
- conducted research and analysis, from an Irish perspective, on the compliance of European financial institutions with financial reporting disclosure requirements related to financial instruments for collation at EU level by CESR.

In addition to the Authority's participation in plenary related matters, the Authority's Head of Financial Reporting Supervision is also a member of the EECS' Agenda Group. Accordingly, in addition to being an active contributor to the Group's activities at

plenary level, the Authority also has a direct input to, and involvement in:

- the review of emerging cases and decisions as tabled by EU national enforcers with a view to assessing those which should be afforded priority for consideration and discussion at the plenary; and
- the review of enforcement decisions taken by EU national enforcers with a view to determining whether they meet the criteria for publication.

During the year, the Authority's Head of Financial Reporting Supervision was also appointed to the following EECS working groups:

- Enforcement Methodology Group, which is charged by the plenary with the development of common review methodologies. This Group develops and maintains template review programmes for use by EU national enforcers, the purpose of such programmes being to facilitate a consistent approach towards financial reporting review and enforcement across the EU. The template review programmes were updated in 2009 to reflect additions and amendments to IFRS; and
- Enforcement Actions Group, which is charged by the plenary with the examination of enforcement actions taken by EU national enforcers, with the aim of providing an overview and analysis of actions taken by national enforcers across the EU.

In addition, the Authority provided input to a number of CESR-led surveys on the application of CESR Standards across the EU.

⁷¹ This document can be found on www.cesr.eu/data/document/09_821.pdf

⁷² National Asset Management Agency.

6. Accounting Standards Board ('ASB')

During the year the Authority continued to act as an observer at ASB meetings, an activity that facilitates the Authority in discharging its role of co-operating in the development of accounting standards and to identify at an early stage developments that may have a particular relevance to, or bearing on, Ireland. Further detail of the Authority's ASB-related activities may be found in Chapter 5 of this Report.

CHAPTER 5

Promotion of adherence to high professional standards in the auditing and accountancy profession and acting as a specialist source of advice to the Minister on auditing and accounting matters

Promotion of adherence to high professional standards in the auditing and accountancy profession and acting as a specialist source of advice to the Minister on auditing and accounting matters

1. Promotion of adherence to high professional standards in the auditing and accountancy profession

1.1 Approach to promoting adherence to high professional standards in the auditing and accountancy profession

The promotion of adherence to high professional standards by the auditing and accountancy profession is a core element of the Authority's mission and is, therefore, embedded within, and permeates all aspects of, the Authority's activities.

In summary, during the year the Authority's approach continued to be to promote adherence to high professional standards by the auditing and accountancy profession through three principal avenues, i.e. by:

- promoting adherence to high professional standards through interaction with the auditing and accountancy profession;
- promoting adherence to high professional standards through interaction with other stakeholder groups and with the wider public; and
- co-operating with interested parties in the development of auditing and accounting standards.

1.2 Interaction with the auditing and accountancy profession

During the year the Authority sought to promote adherence to high professional standards through:

- i. continuing to provide members of the auditing and accountancy profession with an understanding of the Authority's role, functions and principal findings through, amongst other avenues, the delivery of information presentations and contributing articles to professional publications (details of presentations delivered

and articles written by Authority staff during the year are set out in the Appendix to this Report);

- ii. reviewing proposed amendments to the PABs' constitutions, bye-laws, regulations and other standards and, where considered necessary or otherwise appropriate, seeking/requiring amendments thereto;
- iii. tabling recommendations to the PABs where the Authority's ongoing review and related activities identified scope for improvement in the manner in which members and member firms are being regulated and, where applicable, monitored;
- iv. reviewing complaints received relating to members of the PABs and to the PABs themselves and, where considered necessary, initiating statutory Enquiries into such matters with a view to determining whether:
 - breaches of approved procedures have occurred; and
 - parallel regulatory responses are necessary or otherwise appropriate; and
- v. providing RABs with feedback from IFIAR inspection workshops for the purpose of enhancing RABs' inspection processes.

Further information regarding the Authority's activities in the context of (ii) to (v) above is set out in Chapter 3 of this Report.

1.3 Interaction with other stakeholder groups and with the wider public

Other avenues through which the Authority sought to promote adherence to high professional standards (on the part of the profession and in a wider context) during the year included:

- i. continuing to review, on a risk assessed basis,

selected constituent issuers' periodic financial reports for compliance with relevant reporting frameworks and, where considered necessary or otherwise appropriate, seeking further information and clarification from issuers regarding matters including apparent non-compliance with relevant aspects of accounting standards and legislative requirements;

ii. responding to queries received from members of the public, thereby providing enquirers with the information necessary to enable them to:

- understand the Authority's and PABs' respective roles in the complaints/disciplinary process;
- understand issuers' periodic financial reporting obligations under the Transparency Regulations; and
- direct complaints to other relevant authorities, where appropriate; and

iii. providing stakeholder groups and the wider public with an understanding of the Authority's role and functions through the delivery of information presentations and contributing

articles to professional publications (details of presentations delivered and articles written by Authority staff during the year are set out in the Appendix to this Report).

Further information regarding the Authority's activities in the context of (i) above can be obtained in Chapter 4 of this Report while further information regarding (ii) above can be obtained in Chapter 6.

1.4 Provision of observations on year-end financial reporting issues for stakeholders' benefit - financial years ended 31 December, 2008

In presenting their results in respect of the year ended 31 December, 2008, issuers reported against a background of continuing market uncertainty, reduced access to credit and a weak domestic and international economic environment, each of which gave rise to significant challenges in the context of financial reporting. In that context, the Authority considered it opportune to offer some commentary by way of an observations document published in January, 2009 on selected financial reporting issues for Boards' and Audit Committees' benefit⁷³. The Table below provides a brief summary of the matters addressed in the document.

Table 23: Summary of matters addressed in the observations document published in January, 2009

Subject matter	Observation
Valuation and impairment of assets	The document drew attention to the necessity for issuers' Boards and Audit Committees to critically assess management's judgements in respect of the impairment of individual assets and Cash Generating Units. It also reminded Boards that the use of models in valuations or impairment assessments of financial assets requires careful analysis as previous assumptions utilised in those models, which are based on historical experience, may no longer be applicable in the prevailing environment
Retirement benefits	The necessity for Boards and Audit Committees to question the appropriateness of historically applied assumptions in the valuation of retirement benefit asset and liabilities was also highlighted. Aspects of accounting for retirement benefits highlighted as warranting particular attention included: <ul style="list-style-type: none"> ■ determination of appropriate discount rates; ■ fair value of plan assets; and ■ the provision of a full current actuarial valuation in the context of the changed economic environment.

⁷³ This document is available at http://www.iaasa.ie/publications/FRSUobs_Jan09.pdf

Table 23: Continued

Subject matter	Observation
Going concern/ principal risks and uncertainties	Against a background of potentially falling asset values and decreased earnings, Boards and Audit Committees were advised to place appropriate emphasis on satisfying themselves that the preparation of financial reports on a going concern basis was appropriate and, in that context, the document listed several considerations that might usefully be included in Boards' and Audit Committees' evaluations. In addition, the document drew attention to the Authority's observations on the varying standard of compliance noted with the requirement to include a description of the principal risks and uncertainties facing issuers in Management Reports and noted that disclosures which are meaningful and issuer-specific are required as opposed to the provision of boilerplate statements.
Financial instruments: IFRS 7/ FRS 29 disclosures	The document drew attention to the provisions of Paragraph B3 of IFRS 7, which points to the necessity to strike a balance between overburdening financial statements with excessive detail and obscuring important information as a result of too much aggregation. Stakeholders were also advised that the Authority was likely to focus on the standard, quality and appropriateness of issuers' IFRS 7 disclosures in the course of its review activities during 2009.
Hedge effectiveness	In times of market turbulence, the measurement of the effectiveness of a hedging arrangement takes on additional importance, and in this regard Boards and Audit Committees were advised to carefully review the assumptions employed by management in their assessment of hedge effectiveness.
Judgements	Noting that, in its review activity to date, the Authority had found that periodic financial reports vary considerably in the extent to which they clearly and comprehensively disclose the judgements made in preparing financial statements, stakeholders were advised that judgements were likely to remain an area of review focus during 2009. The document highlighted, in particular, the judgements made by debt and fund issuers in respect of the classification of financial instruments between equity and financial liabilities under IAS 32 <i>Financial Instruments: Presentation</i> .
Related party disclosures	As a general observation, it was noted that the Authority had identified weaknesses and deficiencies in disclosures provided pursuant to the requirements of IAS 24 <i>Related Party Disclosures</i> . In the particular environment in which issuers were preparing to publish their 2008 financial reports, the importance of compliance with the statutory provisions governing transactions with directors was emphasised.
Deferred tax assets	Boards and Audit Committees were advised to rigorously assess the appropriateness of the recognition of deferred tax assets in circumstances where the entity had incurred losses.
Operating profit	While acknowledging that issuers differ in their presentation of items within and outside of a subtotal entitled ' <i>Operating profit</i> ' and in the level of accompanying disclosure provided, it was noted that entities should have regard to the provisions of BC13 of IAS 1 <i>Presentation of Financial Statements</i> and should also include a disclosure to explain the judgements applied in classifying items within and outside of ' <i>Operating profit</i> '.
Alternative performance measures	The Authority noted that, while many entities present alternative (non-IFRS) performance measures in periodic financial reports, such as ' <i>EBITDA</i> ' and ' <i>Alternative Earnings Per Share</i> ', the quality of narrative explanations accompanying same varies considerably. In that context, stakeholders' attention was drawn to the CESR Paper entitled ' <i>Recommendation on Alternative Performance Measures</i> ' which encourages entities who use alternative performance measures to do so in a manner that is both appropriate and useful for investors' decision making.
Business combinations	The document highlighted potential weaknesses in the financial reporting around business combinations, in particular in respect of the allocation of the cost of acquisition to identifiable assets at fair value and failure to disclose the use of provisional values.
Earnings per share (‘EPS’)	The Boards, and where applicable Audit Committees, of closed ended funds were reminded that the requirement to provide EPS is neither met nor negated by the provision of Net Asset Value (‘NAV’) disclosures.
Prior period errors	Arising from the Authority's review activities, weaknesses and deficiencies in disclosures concerning the nature and effect of restatements of comparative amounts were noted, as well as instances in which entities had corrected prior period errors on a prospective rather than retrospective basis, as required by IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> .
Recently promulgated accounting pronouncements	The requirement to disclose that a new IFRS or IFRIC Interpretation, which is not yet effective, has been issued along with reasonably estimable information relevant to assessing the possible impact of the application of that pronouncement on the entity's financial statements was highlighted for stakeholders' benefit.

1.5 Provision of observations on year-end financial reporting issues for stakeholders' benefit - financial years ended 31 December, 2009

At year end, work on a similar document dealing with issuers' financial statements in respect of the year ended 31 December, 2009 was at an advanced stage⁷⁴. In summary, matters addressed in that document include the topics of:

- impairment of goodwill;
- hedging instruments;
- bank covenants;
- related party transactions and balances;
- accounting for Government grants and disclosure of Government assistance;
- materiality;
- financial instruments – risk disclosures;
- operating profit; and
- key performance indicators.

1.6 Co-operation with interested parties in the development of accounting standards and practice notes

The background to the Authority's observer status at the Accounting Standards Board ('ASB') was set out in the Authority's 2006 Annual Report⁷⁵ and is not, therefore, reproduced in this Report. In summary, the Authority sought, and was granted, ASB observer status in the context of its statutory mandate (as

provided for by section 9(2)(k) of the Act) to co-operate with interested parties in the development of accounting standards and practice notes.

As well as facilitating contribution to ASB discussions and outputs generally (which comprise mainly of revised Standards, Exposure Drafts and discussion papers), ASB observer status facilitates the early identification by the Authority of issues that are, or might be, of particular interest or relevance in an Irish context.

While the ASB published a number of documents during the year that were of interest in an Irish context, one issue of particular relevance to Irish preparers of financial statements was the publication, in August 2009, of the ASB's policy proposal entitled '*The Future of UK GAAP*'. This was a particularly important development in that, if implemented as proposed, this policy proposal would impact the vast majority of Irish (as well as UK) companies and would lead to major changes to the financial reporting regime currently operating in Ireland. Specifically, the separate body of accounting literature currently referred to as Irish/UK GAAP would cease to exist. While, under its policy proposal, the ASB would not relinquish the right to set Irish/UK GAAP in the future, if implemented, all existing literature would be superseded.

The ASB's proposal sets out a differential reporting regime based on the concept of '*public accountability*'. The proposed approach, and its effect on the various categories of companies operating in Ireland, can be summarised as follows:

⁷⁴ This document, which was published in January 2010, is available at http://www.iaasa.ie/publications/Obsdoc_Jan10.pdf

⁷⁵ Section 5 of Chapter 2 of the Authority's 2006 Annual Report refers (available at http://www.iaasa.eu/publications/Annual_Report_2006.pdf).

Table 24: Effects of the ASB’s proposal on ‘The Future of UK GAAP’

Type/Nature of Entities	Current Accounting Regime	Proposed Accounting Regime	Potential implications for:
EU listed entities’ consolidated financial statements IEX listed entities’ consolidated financial statements	IFRS (EU endorsed)	IFRS (EU endorsed)	n/a
‘Publicly Accountable’ entities, including 100% publicly accountable subsidiaries	Converged Irish/UK GAAP	IFRS (EU endorsed) [Tier 1 – see narrative below]	Irish listed debt and fund entities Building societies Credit unions Friendly societies
Large and medium ‘Non-publicly Accountable’ entities (‘NPA’s’)	Converged Irish/UK GAAP	IFRS for Small and medium-sized entities (SMEs) [Tier 2 – see narrative below]	NPA groups NPA entities NPA subsidiaries
Small companies	Converged Irish/UK GAAP	FRSSE [Tier 3 – see narrative below]	Small companies

In essence, and as referred to in the Table above, the ASB proposals would see a three tier approach to future financial reporting by Irish (and UK) entities. Set out below is a brief summary of each Tier.

Tier 1 – ‘Publicly Accountable’ entities (including 100% publicly accountable subsidiaries)

All publicly accountable entities would be required to apply EU endorsed IFRS. This requirement would apply to publicly accountable entities irrespective of their size. By way of example, in an Irish context, this would have implications for:

- approximately 500 Credit Unions and Friendly Societies operating in the State;
- fund and debt issuers listed on the ISE; and
- publicly accountable wholly-owned subsidiaries.

This was an issue discussed at considerable length by the ASB and, given that Ireland differs from the UK considerably in that Ireland has a higher proportion of fund and debt issuers listed on the ISE than is the case on the London Stock Exchange (and that certain of these issuers are wholly owned subsidiaries), this was a subject in which the Authority took a keen

interest. Having considered the matter in detail, the ASB decided to expose the following proposals for stakeholder comment:

- IFRS (EU endorsed) should be used by all publicly accountable entities (including publicly accountable subsidiaries);
- subsidiaries not meeting the criteria for being considered as being publicly accountable should be regarded as part of Tier 2 and should be allowed to use the IFRS for SMEs; and
- there should be no disclosure exemptions for subsidiaries (as there are so few that this option was not considered to be worth pursuing). Stakeholders were, however, invited to make the case if they disagreed with this assessment.

Tier 2 – Large and medium Non-publicly Accountable entities

The ASB considers that the IFRS for SMEs standard, recently published by the IASB, should be used by Tier 2 entities. The IFRS for SMEs is a self-contained Standard which has been developed by the IASB to cater for the needs of entities that publish general purpose financial statements for external users but which do not have public accountability. Many of

the principles for recognition and measurement in 'full' IFRS have been simplified, some topics omitted altogether, and the number of required disclosures has been significantly reduced. Under the proposed approach, therefore, the IFRS for SMEs standard would require to be adopted by:

- those entities not deemed to be publicly accountable (Tier 1 entities), who would be required to apply EU endorsed IFRS;
- those entities not permitted to use the FRSSSE (only Tier 3 entities would be permitted to apply the FRSSSE).

In practice the proposals mean that most large and medium sized Irish companies would be required to switch from using existing 'full' Irish/UK GAAP to using the IFRS for SMEs Standard. Affected entities could, of course, elect to apply 'full' EU endorsed IFRS should they so wish.

Tier 3 – Small companies

The ASB considers that the existing Financial Reporting Standard for Smaller Entities ('FRSSE') should remain in force for the foreseeable future, on the grounds that the cost of change to the IFRS for SMEs Standard in its current form would not be justified in the context of the entities concerned. The FRSSSE is a self-contained standard based on Irish/UK GAAP for use by small companies. The measurement requirements in the FRSSSE are the same as those in 'full' Irish/UK GAAP but many of the disclosure and presentation requirements of 'full' Irish/UK GAAP have not been included.

This option is currently available for small companies as defined in Irish law, i.e. companies that do not exceed two or more of the following criteria:

- i. turnover: €3,809,214;
- ii. balance sheet total: €1,904,607;
- iii. average number of employees: 50.

While the FRSSSE is widely used by small companies in the UK, it is not as widely used in Ireland and many small companies prepare their financial statements using 'full' Irish/UK GAAP. In the event that the ASB implements its proposals, these entities would have to change their existing practice and use the FRSSSE (or, alternatively, elect to apply the IFRS for SMEs or 'full' IFRS).

In view of the significance of the ASB's proposals for Irish entities, the Consultative Committee of Accountancy Bodies in Ireland (CCAB-I) hosted a public event on 9 December, 2009 to discuss and debate the proposals and the role of IFRS therein. The Authority's Head of Financial Reporting Supervision spoke at the event, which was attended by over 400 people.

1.7 Co-operation with interested parties in the development of auditing standards and practice notes

During the year the Authority continued to act as an observer at APB meetings, an activity that assists the Authority to discharge its role of co-operation in the development of auditing and ethical standards and to identify at an early stage developments that may have a particular relevance to, or bearing on, Ireland.

Some of the APB's more significant activities during the year included the publication of:

- a revised Ethical Standard on long association with the audit engagement;
- Practice Notes on the audit of complex financial instruments and smaller audit entity documentation respectively;
- an Exposure Draft Practice Note on the audit of pension schemes in Ireland; and

- a Consultation Paper on the topic of audit firms providing non-audit services to audit clients.

2. Acting as a specialist source of advice to the Minister on auditing and accounting matters

2.1 Transposition of the Statutory Audit Directive

During the year the Authority continued to devote considerable resources towards providing the Department of Enterprise, Trade & Employment with advice and assistance in the context of its responsibility to transpose the Directive into national law. Specific Directive related issues on which the Authority provided assistance and advice are elaborated upon in sections 2.2 to 2.4 below.

2.2 European Commission Decision on transitional arrangements for certain third country auditors and audit entities

In July 2008, the European Commission issued a Decision, the effect of which was to permit auditors and audit entities from certain named third countries to continue to issue audit opinions valid in the EU for a specified time period, provided that they furnish certain specified information to Member States' designated authorities. The Authority provided the Department with assistance and advice in giving effect to the Decision in national law, which was done in June, 2009 by Statutory Instrument 229 of 2009⁷⁶. Further information regarding the Authority's role as competent authority for the above purpose is provided in Chapter 3 of this Report.

2.3 European Commission Recommendation on External Quality Assurance of Auditors of Public Interest Entities⁷⁷

Following publication by the European Commission of the Recommendation in May 2008, the Department of Enterprise, Trade & Employment, with the Authority's assistance, issued a Consultation Paper in March 2009 for the purpose of garnering stakeholders' views as to whether the

Recommendation should be implemented in Ireland. In seeking stakeholders' views, the Consultation Paper set forth three principal options, namely:

- retain the *status quo*, i.e. whereby responsibility for monitoring the quality of the audits of listed entities would remain the responsibility of the RABs;
- move to a direct inspections model, i.e. whereby responsibility for monitoring the quality of the audits of listed entities would become the responsibility of the Authority; or
- move to a delegation model, i.e. whereby responsibility for monitoring the quality of the audits of listed entities would become the responsibility of the Authority, which would, in turn, be permitted to delegate certain of these responsibilities to the RABs.

In its response dated 9 April, 2009, the Authority expressed the view that:

- implementation of the Recommendation is necessary from a public interest perspective;
- Ireland's current quality assurance arrangements in respect the audits of listed entities are increasingly out of step with EU and internationally accepted best practice; and
- implementation would be likely to result in reduced duplication of audit inspection activities, thereby creating scope for associated benefits deriving from reduced costs and regulatory burdens.

Based on the foregoing, and having regard to cost and other considerations associated with a move to a direct inspections model, the Authority expressed the view that the most appropriate manner in which to implement the Recommendation would be through a

move to a delegation model (i.e. option iii).

Of those parties who responded to the Consultation Paper (and whose responses have been published on the Department's website⁷⁸), the results were as follows:

In favour of retaining the status quo	In favour of moving to a direct inspections model	In favour of a move to a delegation model
CIMA	ACCA	AIA
Ernst & Young	Deloitte	IAASA
KPMG	Financial Regulator	ICAEW
ICAI/CARB	Grant Thornton	Institute of Internal Auditors
ICAS	ICPAI	Revenue Commissioners
PricewaterhouseCoopers	Office of the Director of Corporate Enforcement	

2.4 PCAOB proposals to conduct inspections of Irish audit firms

In the context of the PCAOB's proposals to perform inspections of Irish PCAOB-registered audit firms, the Authority continued to provide the Department with its perspective and advice on these matters during the year. One of the more significant developments on this issue during the year was the issuing of a letter from EU Commissioner McCreevy to the Acting PCAOB Chairman in September. In his letter, the Commissioner:

- i. noted that certain amendments to the Sarbanes Oxley Act necessary to facilitate the mutual exchange of audit working papers between EU and US audit oversight bodies were still some way off;
- ii. expressed concerns regarding the PCAOB's desire to perform inspections in EU Member States in circumstances where the aforementioned legislative amendments had yet to be made;
- iii. drew attention to the legal consequences that PCAOB inspections would have for Member States and EU audit firms (i.e. on the basis of such inspections taking place outside the provisions of Article 47 of the Directive);
- iv. confirmed that, until such time as the Commission has taken an adequacy decision in respect of the US, Member States cannot accept PCAOB inspections of EU audit firms and Member States' oversight bodies and audit firms cannot send audit working papers to the PCAOB;
- v. emphasised that, were Member States to fail to comply with (iii) above, the Commission would have to initiate infringement proceedings against the Member State(s) concerned; and
- vi. indicated that the PCAOB should not, therefore, impose sanctions on EU audit firms that are not in a position to comply with the PCAOB's information/inspection requests.

⁷⁶ The text of the S.I. may be accessed at http://www.iaasa.ie/legislation/si229_2009.pdf

⁷⁷ This document may be accessed at http://www.iaasa.ie/publications/EU_QA_Recs080508.pdf

⁷⁸ <http://www.deti.ie/commerce/companylawlegislation/eqaconresponses.htm>

In the context of the foregoing, and in the context of the issue of proposed third country inspections of Irish audit firms generally, the Authority continued to share its analysis on these matters with the Department of Enterprise, Trade & Employment during the course of the year.

3. Other advisory inputs

3.1 Provision of advice/assistance to the Department of Enterprise, Trade & Employment and to the Minister for Trade & Commerce

During the year the Authority also provided assistance and/or advice to the Department of Enterprise, Trade & Employment in respect of:

- the Companies (Miscellaneous Provisions) Bill 2009 ('the Bill'), which provided for the use, on a transitional basis, of US GAAP by certain parent undertakings, to the extent that the use of those principles in the preparation of relevant undertakings' financial statements does not contravene any of the provisions of the Companies Acts or any Regulations made thereunder. The Bill was subsequently enacted as the Companies (Miscellaneous Provisions) Act 2009;
- the commencement of section 36 of the Companies (Auditing and Accounting) Act 2003, which provides statutory backing for the PABs' disciplinary processes⁷⁹ (this matter is discussed in further detail in Chapter 3 of this Report);
- possible alternative means of funding investigations under section 24 of the Act;

- the formulation of a revised list of entities for Ministerial prescription under section 48(1) of the Act (i.e. for the purpose of section 31 of the Act);
- certain proposed amendments to the Transparency (Directive 2004/109/EC) Regulations, 2007; and
- how the term '*auditor*' should be defined in the Criminal Justice (Money Laundering) Bill, 2008. This Bill seeks to consolidate the existing law on money laundering and to enact new provisions giving effect to the Third Money Laundering Directive (Directive 2005/60/EC).

3.2 Company Law Review Group

The Company Law Review Group ('CLRG') is a statutory body established by the Company Law Enforcement Act, 2001 (CLEA) for the purpose of advising the Minister on company law related matters⁸⁰. The Authority is a body entitled to nominate a member to the CLRG and, through its nominee's membership⁸¹, the Authority contributed to the CLRG's ongoing provision of advice to the Minister during the year.

⁷⁹ Section 36 was commenced by S.I. 13 of 2009 (Companies (Auditing and Accounting) Act 2003 (Commencement) Order 2009).

⁸⁰ Further information on the CLRG can be obtained at <http://www.clrg.org>

⁸¹ The Authority has nominated its Chief Executive as a member of the CLRG.

CHAPTER 6

Ensuring the Authority's adherence to its legal and governance obligations as a Body established under statute and providing a high quality service to internal and external stakeholders

Ensuring the Authority's adherence to its legal and governance obligations as a Body established under statute and providing a high quality service to internal and external stakeholders

1. Authority's adherence to its legal and governance obligations as a Body established under statute

1.1 Introduction

The Board is principally assisted in ensuring the Authority's compliance with its legal and governance obligations by the Secretary & Head of Legal Services and the Head of Finance & Administration respectively. Where applicable, other members of the Authority's staff and management contribute as required to the Authority's ongoing compliance with its obligations.

1.2 Legal requirements under the Companies Acts

As a company limited by guarantee, the Authority and its directors have a range of legal obligations and responsibilities under the Companies Acts⁸². During the year, in compliance with the Authority's obligations as a company, the directors:

- held the Authority's third Annual General Meeting on 16 June, 2009; and
- filed the company's Annual Return with the Registrar of Companies on 2 July, 2009.

As detailed further in the Report of the Directors, the Authority has taken the steps necessary to ensure that, in compliance with section 202 of the 1990 Act, proper books and accounting records are maintained. Similarly, the Secretary is charged with maintaining the Authority's statutory Registers and ensuring that all filings are made to the Registrar of Companies within prescribed timeframes.

1.3 Principal legal requirements under other legislation

The Authority has also taken the necessary steps to ensure its compliance with a range of other legal requirements, including:

- health and safety legislation (the Authority

adopted a revised Safety Statement in December, 2008);

- employment and related legislation;
- tax law, including those provisions relating to the necessity for certain service providers to the Authority to furnish valid Tax Clearance Certificates in advance of payments being made;
- the Ethics in Public Office Acts; and
- the European Communities (Late Payments in Commercial Transactions) Regulations 2002.

Certain other requirements typically applicable to statutory bodies such as the Freedom of Information Acts and the Official Languages Act do not currently apply to the Authority by virtue of its not having been designated for such purposes at this time.

1.4 Adherence to the Code of Practice for the Governance of State Bodies

As a Body established under statute, the Authority is subject to the Code of Practice for the Governance of State Bodies ('the Code'), as issued by the Department of Finance. The Authority has, amongst others, taken the following steps to ensure its ongoing compliance with the Code:

- adopted a Schedule of Matters Reserved to the Board (which is reviewed by the Board from time to time);
- documented the Chief Executive's and Chairperson's respective roles;
- adopted formal and documented delegations of authority to Board Committees and to the Chief Executive (which are reviewed from time to time);
- put in place measures whereby directors have access to the advice and services of the Secretary;

- implemented measures whereby directors have access to independent legal advice where considered necessary;
 - put in place mechanisms by which the Board is regularly apprised of significant matters pertaining to the Authority's supervisory and enforcement remits and to its finances;
 - put in place measures to ensure that the Board receives regular, high quality information on which to base its decision making;
 - implemented measures to ensure that new directors are provided with an orientation briefing upon appointment to the Board;
 - adopted Codes of Conduct for both directors and employees⁸³;
 - appointed an Audit Committee comprising of non-executive directors, appointed an external provider of internal audit services and developed and approved Charters for both the Audit Committee and internal auditors which reflect both best practice and the Code's requirements;
 - appointed a Remuneration Committee comprising of non-executive directors for the purposes of assessing the performance of the Chief Executive, making recommendations to the Board regarding the Chief Executive's and directors' remuneration and ensuring the Authority's compliance with the Code's provisions regarding the Chief Executive's and directors' remuneration;
 - developed risk management policies and procedures designed to identify and quantify key business risks and to assist the Authority in the management of those risks; and
 - put in place a system of documented internal controls and related procedures, which addresses, amongst other things, the Authority's obligations under public sector procurement requirements.
- During the year under review the Department of Finance issued a revised Code, which altered the governance obligations previously applying to the Authority. The Board considered the revised Code at its September meeting and took the following steps to ensure the Authority's continuing compliance with its governance responsibilities:
- effected certain amendments to the Schedule of Matters Reserved to the Board necessary to ensure continuing compliance;
 - adopted a whistleblowing procedure, i.e. whereby employees of the Authority can, in strict confidence, raise any concerns that they might have regarding possible irregularities in financial reporting or other matters directly with the Chairperson of the Audit Committee;
 - introduced formal procedures for addressing any instances in which Board members have a concern that cannot be resolved, the registering of such concerns and the bringing of such concerns to the Board's attention;
 - effected certain amendments to the Authority's Codes of Conduct for directors and employees (to include references therein to the requirement for each member of the Board and each person holding a designated position of employment with the Authority to ensure his/her compliance

⁸² Those of the directors' responsibilities relating to the maintenance of proper books of account, preparation of financial statements and related obligations are dealt with in the Report of the Directors and the Statement of Directors' Responsibilities respectively (see the section of this Report entitled Financial & Related Statements).

⁸³ A copy of the Authority's Codes of Business Conduct can be accessed on the Authority's website at http://www.iaasa.ie/about/business_codes.htm

with relevant provisions of the Ethics in Public Office Act, 1995 and the Standards in Public Office Act, 2001). The revised Codes are available on the Authority's website;

- adopted the revised requirements regarding the disclosure of interests by directors;
- resolved that the topic of risk management should become a standing agenda item at Board meetings, conferred responsibility for monitoring risk management on the Audit Committee and appointed a Chief Risk Officer; and
- adopted a policy whereby the Authority shall comply with all Department of Finance circulars regarding travel and subsistence (requirements in this regard were previously reflected in the Authority's internal financial procedures and the adoption of the above policy was merely to reflect the Code's requirements).

1.5 Review of Board effectiveness

During the year the Board commissioned the Institute of Public Administration to conduct an independent review of its effectiveness. While identifying some measures that might further serve to enhance the Board's effectiveness, the Report concluded that the Board operates in an effective manner, with its key strengths being the high levels of experience, knowledge and expertise possessed by its individual members.

2. Provision of high quality services to internal and external stakeholders

2.1 Customer Charter

The Authority's Customer Charter⁸⁴ provides information on:

- the standards of service that stakeholders can expect from the Authority (relating to, amongst other things, timely responses, courtesy and respect) and to which the Authority is committed;

- how to make a complaint regarding the level of service received from the Authority;
- the applicability of the Charter to internal customers; and
- what the Authority expects in return from its stakeholders, for example, to be treated with courtesy and respect.

2.2 Website and regular updates to website registrants

The Authority maintains a website, www.iaasa.ie⁸⁵, on which members of the public can access:

- details of the Authority's statutory remit, including the Authority's principal statutory functions and powers;
- all primary and secondary legislation relating to the Authority, including relevant EU Directives, Regulations and Recommendations (as well as all of the Companies Acts);
- all of the Authority's publications, including reports, consultations and presentations made by Authority representatives;
- third party publications likely to be of interest to website users;
- a Frequently Asked Questions section, which includes details of how to lodge a complaint with the Authority (for example, relating to a PAB or to an issuer's periodic financial reporting);
- directors' and employees' Codes of Conduct and the Authority's Customer Charter;
- links to other websites of relevance to the Authority's remit or otherwise likely to be of interest to website users, including links to the websites of:

- ❑ the PABs;
 - ❑ member bodies of the Authority;
 - ❑ other EU audit oversight bodies;
 - ❑ other EU financial reporting enforcement bodies;
 - ❑ auditing, ethical and accounting standard setters, both UK/Irish and international;
 - ❑ EU and international representative bodies for the accountancy profession;
 - ❑ links to other relevant bodies/agencies; and
- company particulars, as required by S.I. No. 49 of 2007 (European Communities (Companies) (Amendment) Regulations 2007).

In addition to the foregoing, the Authority's website also provides regular news updates to users. The latter feature is accompanied by a service whereby website users can register for email updates, which are issued to accompany the uploading of news items to the website.

2.3 Queries received

The Authority welcomes queries from members of the public and, to the extent practicable, endeavours to assist enquirers to the fullest extent possible subject to the caveat that the Authority is unable to provide advice to members of the public.

The Authority received a total of 186 queries from members of the public during the year, 95 relating to its remit over the PABs, 47 relating to its financial reporting supervisory role and 44 of a general nature. Details of the nature of queries received during the year are provided in the Table below.

Table 25: Nature of queries received – 2009

	2009	2008
<i>Queries relating to the auditing and accountancy profession</i>		
Relating to PABs or individual accountants/auditors	28	23
Regarding the Authority's role or the Authority's and the PABs' respective roles	27	15
Regarding how to lodge a complaint with the Authority and/or a PAB	26	10
Regarding third country audit registration	14	-
<i>Queries relating to financial reporting</i>		
Relating to the provisions of the Transparency Regulations	14	21
Relating to the provisions of IFRS	18	10
Relating to other financial reporting issues	15	9
<i>Queries of a general nature</i>		
Regarding the Companies (Auditing and Accounting) Act 2003 and/or the Companies Acts generally	32	33
Relating to the functions of other regulatory bodies	7	2
Miscellaneous	5	8
Total	186	131

⁸⁴ A copy of the Authority's Customer Charter can be accessed on the Authority's website at http://www.iaasa.ie/about/Customer_Charter.pdf

⁸⁵ The Authority's website is also accessible at www.iaasa.eu.

2.4 Consultation & feedback

In the case of major policy decisions or where the Authority otherwise wishes to obtain interested parties' views, the Authority generally communicates with the public by means of Consultation Papers. In addition to being placed on the Authority's website, the publication of Consultation Papers is generally advertised in the national press with a view to gaining maximum stakeholder interest and participation.

Following the completion of consultation processes, the Authority generally (particularly in respect of complex issues) publishes feedback for the purpose of providing summary details of respondents' views on certain key issues, together with details of whether the Authority has accepted comments/proposed amendments etc. and, where this is not the case, the Authority's reasons for not so doing. During the year, the Authority published a Feedback Paper on its procedures governing the conduct of statutory investigations under section 24 of the Act (published in September, 2009).

2.5 Prescribed Accountancy Bodies' Contact Group

In addition to engaging with the PABs bilaterally on a regular and ongoing basis, the Authority has also established a standing Contact Group, which provides a forum for the Authority and the nine PABs to meet during the year to discuss matters of interest to all concerned and to share perspectives on topical issues. The Authority hosted one such meeting during the year, on 24 November, at which representatives of seven of the PABs were in attendance.

In addition to the foregoing, the Authority's Chief Executive was invited to meet with the Board of the Consultative Committee of Accountancy Bodies – Ireland ('CCAB-I')⁸⁶ in December 2009. This meeting, the first such meeting to take place, was a useful opportunity for dialogue on matters of mutual interest. Amongst the matters discussed at the meeting were:

- the Authority's approval activities and approach towards supervisory reviews;
- the section 23 Enquiry process;
- transposition of the Statutory Audit Directive;
- the extant arrangements for funding statutory investigations; and
- topical issues relating to the credit crisis and its impact on the profession and the Authority.

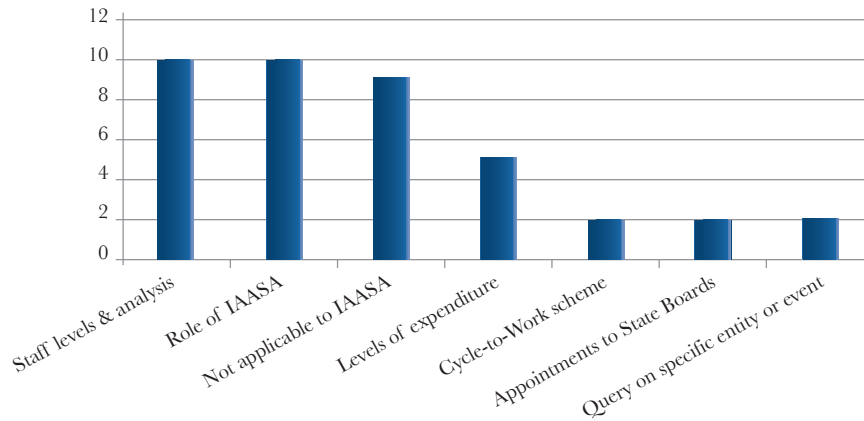
2.6 Provision of responses to Parliamentary Questions

The parliamentary procedure of tabling Parliamentary Questions (PQs) is one whereby Deputies⁸⁷ have an opportunity to table questions to Ministers on matters of relevance to Ministers' portfolios. PQs can be tabled for written or oral response by Ministers.

While the responsibility for answering PQs resides with the relevant Minister's Department, frequently Deputies' questions are constructed in a manner such that the required responses relate not only to the Minister's Department but also to Offices and/or Agencies coming within that Department's aegis. In that context, the Authority is regularly requested by the Department of Enterprise, Trade & Employment to provide material for inclusion in responses to be provided by the Minister.

During the year the Authority received 40 requests for PQ response material from the Department of Enterprise, Trade & Employment. The Table across provides an analysis of those questions by subject matter.

Table 26: Analysis of subject the matter of Parliamentary Questions referred to the Authority - 2009



Staff levels & analysis	Questions under this heading included requests for information on topics such as staff contracts, staff numbers, remuneration etc., and on the effects of the Government’s recruitment restrictions.
Role of IAASA	These questions related to powers devolved from the Minister to the Authority, whether the Authority issues licences, processes payments, carries out inspections and/or produces reports.
Not applicable to IAASA	These questions generally related to matters directly within the Minister’s remit and were not, therefore, relevant to the Authority.
Levels of expenditure	Questions under this heading included requests for information relating to the Authority’s overall budget levels and more detailed queries regarding expenditure under headings such as consultancy, advertising, etc.
Cycle-to-Work scheme	These questions related to queries regarding the Authority’s participation in the scheme and the take-up therein.
Appointments to State Boards	Questions in this category related to issues surrounding Ministerial appointments to State Boards.
Query on specific entity or event	Questions under this heading related to interactions (if any) with specified individuals/organisations or representation at specific events.

2.7 Staff training and development

The highly specialised nature of the Authority’s remit is such that its success is in large measure dependent on a highly skilled and motivated team of staff that are supported in maintaining their professional competencies against the backdrop of a fast changing and highly technically demanding environment. In that context the Authority actively encourages and supports ongoing staff training and development.

During the year the Authority supported staff in:

- undertaking continuing professional development;
- the attainment of further formal educational qualifications of relevance to the Authority’s remit (i.e. in the area of IFRS); and
- undergoing training in other areas of relevance

⁸⁶ CCAB-I comprises ACCA, CIMA, ICAI and the ICPAI.
⁸⁷ Members of Dáil Eireann, which is the lower House of the Irish Parliament.

to the administration and management of the Authority, including in the areas of:

- ❑ EU legislation;
- ❑ information technology;
- ❑ personal development; and
- ❑ statutory bodies' duties and obligations.

The background is a solid blue color with several large, overlapping, curved shapes in a slightly darker shade of blue. These shapes create a sense of movement and depth, resembling stylized waves or abstract architectural elements. The shapes are positioned primarily on the left and center of the page, leaving the right side more open for text.

CHAPTER 7

*Profile of the Prescribed
Accountancy Bodies*

Profile of the Prescribed Accountancy Bodies

1. Introduction

The purpose of this Chapter is to provide users of this Report with an insight into:

- the scale and composition of the Authority’s supervisory remit as regards the PABs;
- the scale of the PABs, both individually and collectively;
- overall trends in the PABs’ membership, student numbers and profiles; and
- the nature and scale of the PABs’ regulatory and monitoring activities.

To achieve this aim, this Chapter provides a statistical profile of the nine PABs coming within the Authority’s supervisory remit in relation to their:

- respective memberships;
- investigation and disciplinary activities;
- respective student populations;
- practice authorisation;
- registration of members/member firms as auditors; and
- monitoring of registered auditor members/member firms.

The information set out in this Chapter relates to the year ended 31 December, 2009.

2. Provision of information by the Prescribed Accountancy Bodies

The Authority has relied on the PABs for the provision of this information, which was submitted as part of the PAB’s annual return process. In the context of the foregoing, the Authority wishes

to acknowledge the efforts made by the PABs in compiling their annual returns and their co-operation in responding to associated queries raised and clarifications requested by the Authority.

As described in Chapter 3 of this Report, the Authority’s annual return process has a dual objective:

- firstly, to provide the Authority with the information necessary to:
 - facilitate the monitoring of the PABs’ ongoing regulatory and monitoring activities; and
 - plan future reviews of the PABs by, for example, identifying key areas, issues or trends deserving of particular attention or resource allocation; and
- secondly, to provide relevant information to the Authority for publication purposes.

Given the dual purpose of the data sought, certain of same is of a confidential nature and, accordingly, while used for supervisory purposes, is not reproduced in this Chapter.

3. Considerations regarding the comparability of data presented

In studying and analysing the data presented in this Chapter, it is important to note the inherent limitations of the underlying data provided. Differences in the structure and operations of the nine PABs, as well as in the PABs’ interpretations of the information requested may present some difficulties in making comparisons. Whilst the Authority has sought to minimise such differences through the design of its annual return templates, care is needed in interpreting the data presented herein and direct comparison may not be appropriate or meaningful in some cases.

4. Definitions used throughout this Chapter

Certain words have been defined for the purposes of this Chapter, including:

<i>'Ireland'</i>	means the Republic of Ireland;
<i>'Irish Relevant'</i>	means complaints relating to members and students located in Ireland, firms based in Ireland and members/firms with clients based in Ireland;
<i>'member'</i>	means an individual who has applied for, and been admitted to, membership of the relevant PAB;
<i>'principal'</i>	means a partner in a member firm and includes a sole practitioner;
<i>'registered auditor'</i>	means a firm or an individual that is registered to undertake statutory audits under the Irish Companies Acts;
<i>'student'</i>	means an individual who is registered with the relevant PAB as a student and is actively pursuing the education process with a view to admission to full membership.

5. Further information regarding the Prescribed Accountancy Bodies

Further information regarding each of the nine PABs is available on their respective websites. Website addresses of each PAB are set out hereunder for readers' reference.

Association of Chartered Certified Accountants (ACCA)	www.accaglobal.com
Association of International Accountants (AIA)	www.aiaworldwide.com
Chartered Institute of Management Accountants (CIMA)	www.cimaglobal.com
Chartered Institute of Public Finance & Accountancy (CIPFA)	www.cipfa.org.uk
Institute of Chartered Accountants in England & Wales (ICAEW)	www.icaew.com
Institute of Chartered Accountants in Ireland (ICAI)	www.charteredaccountants.ie
Institute of Chartered Accountants of Scotland (ICAS)	www.icas.org.uk
Institute of Certified Public Accountants in Ireland (ICPAI)	www.cpairland.ie
Institute of Incorporated Public Accountants (IIPA)	www.iipa.ie

6. Structure of the remainder of this Chapter

The remainder of this Chapter is divided into the following sections:

Part A	Membership
Part B	Investigation and disciplinary activities
Part C	Student population and education
Part D	Practising authorisation
Part E	Registered Auditors
Part F	Individually Authorised Auditors
Part G	Recognised Accountancy Bodies' monitoring of Registered Auditors

Part A: Membership

The Tables and Charts in this Part provide information regarding the membership profile of each of the nine PABs as well as the PABs in aggregate. Admission to membership involves applicants satisfactorily fulfilling various criteria, which typically include:

- completing a course of study and successfully completing the relevant PAB's professional examinations;
- obtaining a minimum period of relevant work experience; and
- undertaking to comply with the relevant PAB's constitution, bye-laws, rules, regulations, standards and codes of ethics and conduct, as applicable.

Once admitted to membership, members of the PABs are:

- entitled to use the designatory letters as provided for in the bodies' respective constitutional provisions; and
- required to fulfil certain obligations on an ongoing basis in order to retain that status, including maintaining up to date professional competence through undertaking Continuing Professional Development ('CPD') and ongoing compliance with the relevant PAB's various rules, regulations and standards etc. Failure to comply with same may render a member liable to disciplinary action.

It should be noted that the PABs impose additional requirements on those of their members wishing to engage in public practice (i.e. wishing to offer services to members of the public and in reserved areas such as audit or investment business). Part D of this Chapter provides further information regarding the requirements relating to practising authorisations.

Membership - Highlights 2009

- During 2009 there has been an increase of approximately 4% in both the membership of the nine PABs in Ireland and in the worldwide membership (Table A.1 and A.2), with ACCA having the largest worldwide membership of the PABs.
- ICAI, ICPAI and IIPA membership is predominantly based in Ireland, with the majority of the membership of CIMA, CIPFA, ICAEW and ICAS being based in the UK. 50% of ACCA members are located in the UK and Ireland. A majority (71%) of AIA members are located outside of the EU (Table A.1).
- Four bodies dominate PAB membership in Ireland - ICAI members comprise 44% of PAB membership, followed by ACCA at 27%, CIMA at 13% and ICPAI at 12% (Chart A.1).
- Approximately 38% of PAB members located in Ireland are female, compared with approximately 37% in 2008 (Table A.4). Chart A.5 shows that males comprise the majority gender in all nine bodies. However, the numbers of female members has been rising over the past number of years and readers should refer to the statistics on student numbers (Part C of this Chapter refers) for an indication of likely future trends in membership gender profiles.
- The majority of members located in Ireland (62%) are employed in business, with a large minority (27%) employed in practice (Table A.5). On an individual basis, with the exception of the IIPA, a minority of Irish based members of each body are employed in practice.
- 68% of aggregate PAB membership in Ireland is comprised of individuals under 45 years of age (Table A.6). ACCA has the highest proportion of under 45s at 74%, followed by ICAI at 69%,

CIMA at 66% and ICPAI at 64%.

- Increases in membership arise in the main through the admission of students to membership. Decreases in membership arise principally from member resignations or exclusions. Exclusions arise mainly as a result of members' failure to pay subscription fees or, alternatively, as a result of disciplinary action. In the case of non-payment of subscription fees, members are usually re-admitted once payment has been made. Table A.2 shows the movements in membership in Ireland during 2009.

Table A.1: Members worldwide - location

As at 31 December	2008 TOTAL	2009 TOTAL	Recognised Accountancy Bodies								
			ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Ireland	27,377	28,547	7,722	434	12,694	65	3,363	219	138	3,846	66
UK	263,979	270,126	61,185	114,034	4,382	15,793	89	7	1,596	59,667	13,373
Other EU Member States	11,704	12,532	6,991	3,493	369	312	31	2	201	1,059	74
Other locations	94,199	101,772	61,335	16,737	1,357	2,108	139	3	4,631	15,185	277
Total members worldwide	397,259	412,977	137,233	134,698	18,802	18,278	3,622	231	6,566	79,757	13,790

Chart A.1: % Share of PAB members located in Ireland

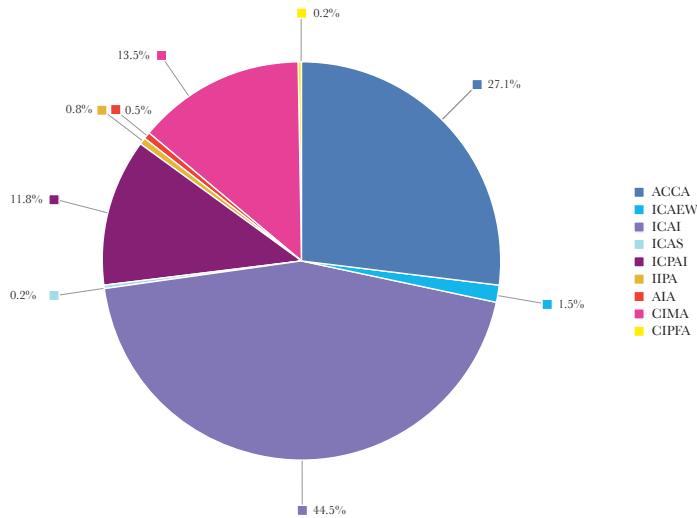


Chart A.2: Members worldwide - comparison of location

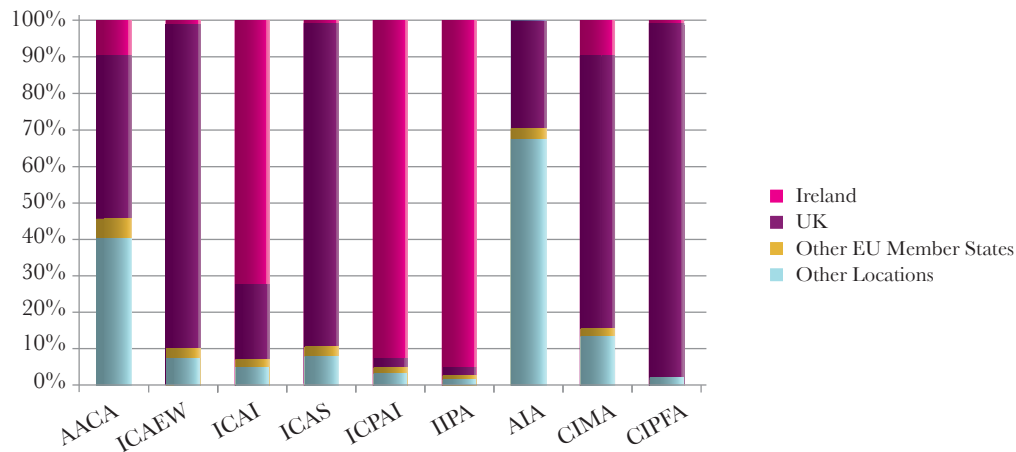


Table A.2: Members in Ireland - movement during the year

	Recognised Accountancy Bodies										
	2008 TOTAL	2009 TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPEA
Members in Ireland at 1 January	25,532	27,395	7,437	429	12,049	64	3,281	211	145 ⁸⁸	3,708	71
During the Year:											
Add: Students admitted as members	2,067	1,586	479	3 ⁸⁹	721 ⁹⁰	0	186	0	0	197	1
Members of other bodies admitted as members	18	29	9	0	5	1	2	10	2	0	0
Former members re-admitted to membership	146	315	172	3	3	0	1	1	1	133	0
Less: Members excluded from membership	(236)	(545)	(347)	(2)	(14)	0	0	0	(1)	(175)	(6)
Members resigning from membership	(72)	(172)	(21)	(3)	(48)	0	(86)	(3)	(5)	(6)	0
Members deceased	(54)	(49)	(7)	(3)	(22)	0	(2)	0	(4)	(11)	0
Other	(24)	(12)	0	7	0	0	(19)	0	0	0	0
Members in Ireland at 31 December	27,377	28,547	7,722	434	12,694	65	3,363	219	138	3,846	66

⁸⁸ AIA's opening figure as published in the 2008 Annual Report has been restated from 127 to include Elected members previously included in Student figures.

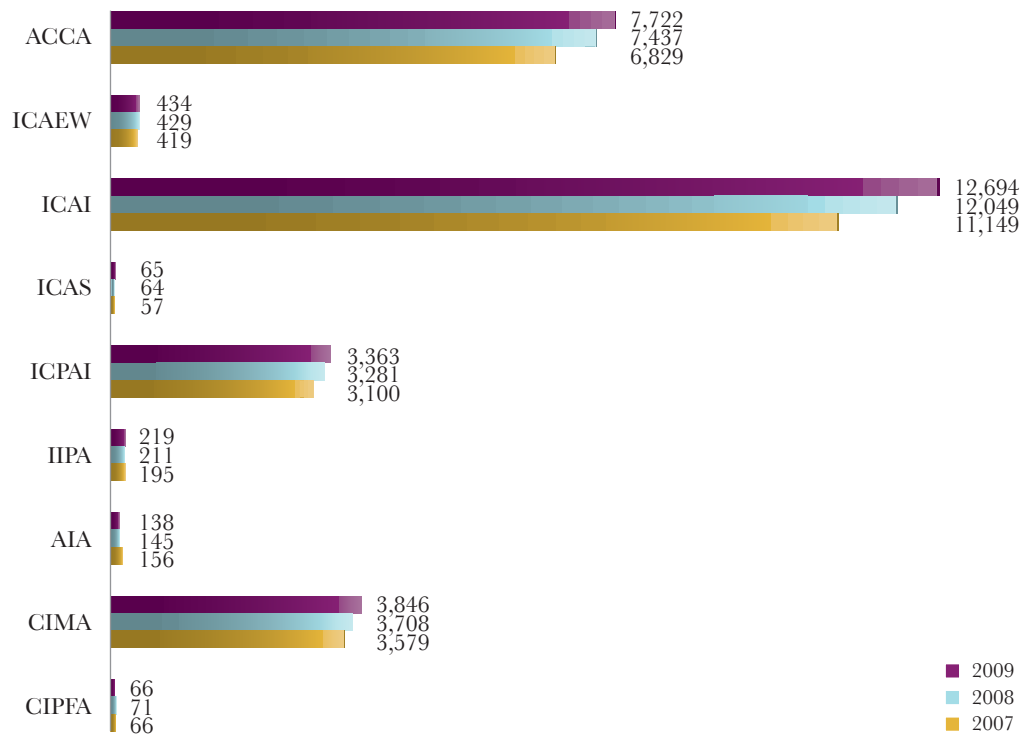
⁸⁹ ICAEW Figures for 'Students admitted as members' differs to Table C.2: (2) as individuals who are eligible for membership for more than 12 months are not included in Student figures.

⁹⁰ ICAI figures for Students admitted as full members in Table A.2 (721) & Table C.2 (910) do not cross check due to discrepancies in the movement of candidates between studentship & membership. Students may complete their term as a student in 'Ireland' and enter into membership while located outside of 'Ireland' who were previously included in Student figures.

Table A.3: Members in Ireland - movement from 2007 - 2009

Membership In Ireland as at 31 December	2007	2008	2009
ACCA	6,829	7,437	7,722
ICAEW	419	429	434
ICAI	11,149	12,049	12,694
ICAS	57	64	65
ICPAI	3,100	3,281	3,363
IIPA	195	211	219
AIA	156 ⁹¹	145 ⁹¹	138
CIMA	3,579	3,708	3,846
CIPFA	66	71	66
Total	25,550	27,395	28,547

Chart A.3: Comparison of membership in Ireland 2007 - 2009



⁹¹ AIA's membership figures as published in the 2008 Annual Report have been restated from 138 (2007) & 127 (2008) to include Elected members who were previously included in Student figures. The 2008 analysis provided by the AIA for Tables A1, A2, A4, A5 and A6 does not include these additional 18 Elected members.

Table A.4: Members in Ireland - gender profile

As at 31 December	2008 TOTAL	2009 TOTAL	Recognised Accountancy Bodies								
			ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Male	17,369	17,675	4,417	333	8,132	51	1,744	207	127	2,622	42
Female	10,008	10,872	3,305	101	4,562	14	1,619	12	11	1,224	24
Total membership	27,377	28,547	7,722	434	12,694	65	3,363	219	138	3,846	66

Chart A.4: Members in Ireland - gender profile

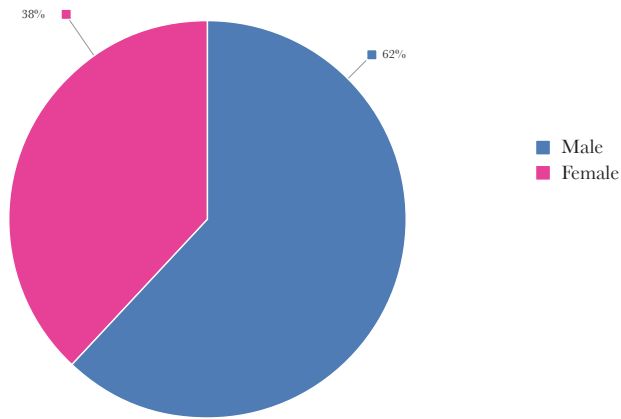


Chart A.5: Members in Ireland - comparison of gender profile

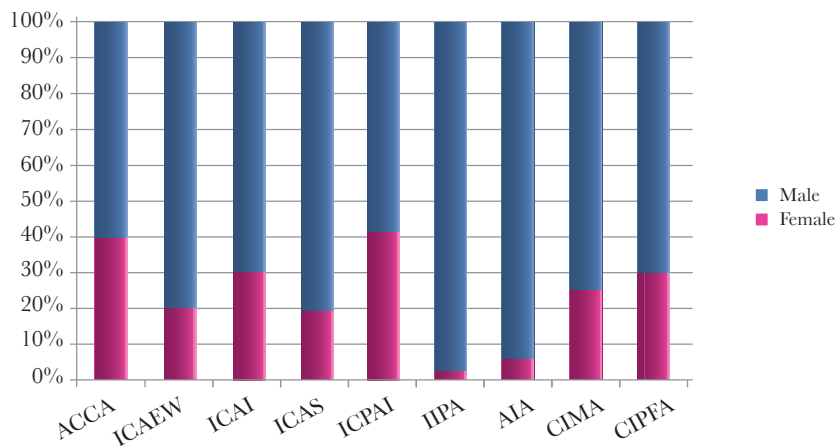


Table A.5: Members in Ireland - employment status

As at 31 December	Recognised Accountancy Bodies										
	2008 TOTAL	2009 TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Practice	7,729	7,640	1,893	101	4,145	9	1,195	196	16	84	1
Industry/Business	16,329	17,771	4,911	199	7,446	40	1,652	4	92	3,422	5
Public Sector	1,616	1,681	528	16	663	3	307	0	2	106	56
Retired	996	1,027	192	69	440	9	56	0	24	234	3
Other	707	428	198	49	0	4	153	19	4	0	1
Total	27,377	28,547	7,722	434	12,694	65	3,363	219	138	3,846	66

Chart A.6: Members in Ireland - employment status

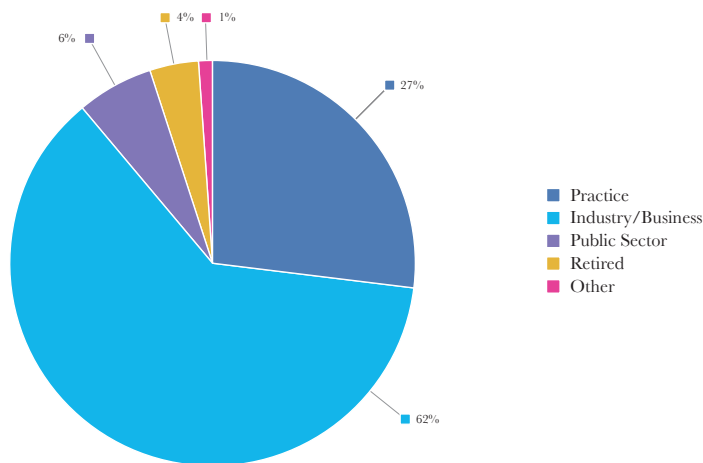


Chart A.7: Members in Ireland - comparison of employment status

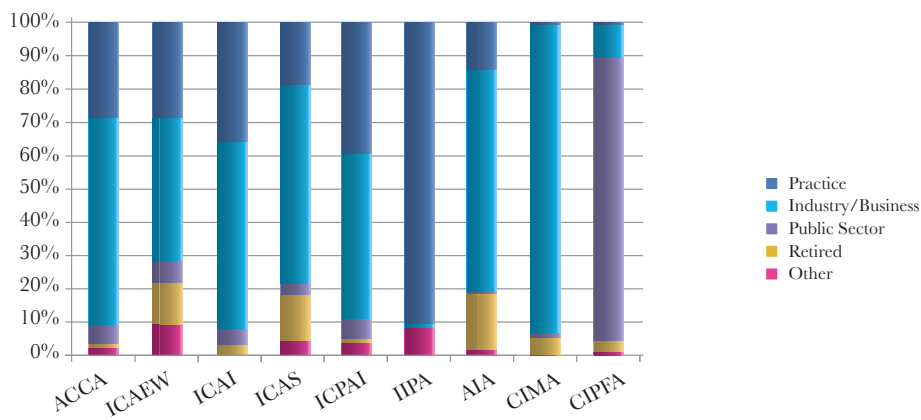


Table A.6: Members in Ireland - age profile

As at 31 December	Recognised Accountancy Bodies										
	2008 TOTAL	2009 TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
< 25	52	30	8	0	16	0	3	0	0	3	0
25 – 34	8,771	8,838	2,273	43	4,901	12	889	24	6	689	1
35 – 44	10,202	10,655	3,450	151	3,835	19	1,259	41	24	1,855	21
45 – 54	4,621	5,017	1,286	75	2,030	14	833	55	28	672	24
55 – 64	2,445	2,592	464	93	1,215	12	317	69	44	362	16
65+	1,285	1,414	241	72	697	8	62	30	36	265	3
DOB not available	1	1	-	-	-	-	-	-	-	-	1
Total	27,377	28,547	7,722	434	12,694	65	3,363	219	138	3,846	66

Chart A.8: Members in Ireland - age profile

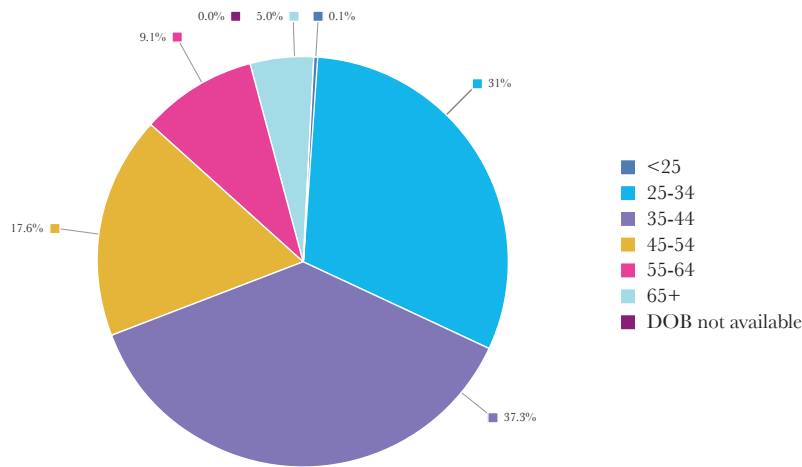
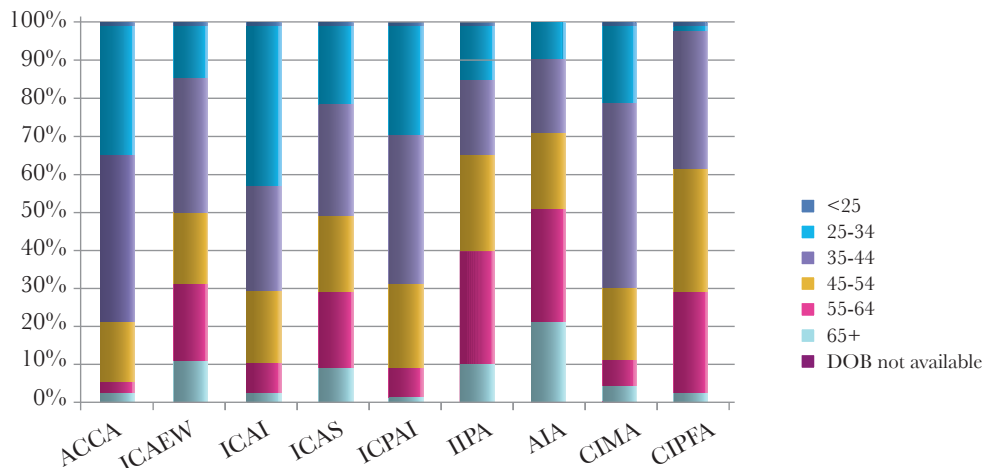


Chart A.9: Members in Ireland - comparison of age profile (by body)



Part B: Investigation and disciplinary activities

The tables in this Part provide information regarding the PABs' investigation and disciplinary activities.

As outlined in previous Reports, under the model of supervised self regulation provided for by the Act, responsibility in the first instance for the investigation of complaints⁹² relating to the PABs' members and member firms resides with those bodies, which are required to process same in accordance with investigation and disciplinary procedures approved by the Authority. Rather than being to supplant the PABs' responsibility to investigate complaints received in respect of their members/member firms, the Authority's role is to supervise the manner in which the PABs' complaints, investigations, disciplinary and appeals processes operate. However, notwithstanding the foregoing, following the receipt of a complaint or otherwise on its own initiative, the Authority is empowered to initiate Enquiries into whether a PAB has complied with its approved procedures under section 23 of the Act. Further details concerning such Enquiries are provided in Chapter 3 of this Report.

Each PAB's established systems and procedures are tailored to its specific requirements. Accordingly, the manner in which complaints concerning members and member firms are processed varies across the PABs. However, notwithstanding the differences in these processes, due to the requirement that disciplinary processes respect the principles of natural justice as well as applicable human rights legislation, there are many similarities across the PABs, such as, for example, the organisation of investigation,

disciplinary and appeals systems through Committee structures.

When a member of the public (complainant) makes a complaint to a PAB concerning the conduct or competence of a member/member firm or where relevant information comes to the attention of a PAB, the recipient body typically has a number of initial options available to it, including investigation by a Committee⁹³(or regulatory assessor in the case of ACCA) or resolution by conciliation⁹⁴ or other means provided for under its approved investigation and disciplinary procedures. In cases where a judgement is formed by either the Committee or the regulatory assessor that there is a *prima facie*⁹⁵ case against the member, the member may either be referred to the formal disciplinary process (typically to a Disciplinary Committee/Tribunal) or be offered a Consent Order⁹⁶.

The range of sanctions available to Investigation Committees and the Disciplinary Tribunals are outlined in Table B.5 and the nature of the sanction imposed on a member will depend on the particular facts of any case, including, for example, the seriousness of the wrongdoing found to have occurred. Where a Disciplinary Tribunal makes a finding against a member, the member typically has a right of appeal to an Appeal Committee/Tribunal. The Tables and Charts set out below provide the following information:

- Tables B.1 and B.2 outline the number of complaints open at the end of 2008 and 2009 respectively, the number of new cases arising

⁹² The term 'Complaint' includes any expression of dissatisfaction with accounting related services, whether communicated to a PAB by members of the public or otherwise.

⁹³ It should be noted that not all the PABs use the same terminology for their Investigation Committee. For example, the ICAI refer to this committee as the Complaints Committee while the ICAS refer to it as the Investigations and Professional Conduct Enforcement Committee. For convenience, this Chapter refers generically to Investigation Committees.

⁹⁴ It is worth noting that conciliation processes typically require the complaint to be resolved to the mutual satisfaction of all parties and conciliation is usually not permitted other than relating to minor matters. Additionally, it should be noted that not all of the PABs' processes and procedures provide for a complaint conciliation process.

⁹⁵ On the face of it.

⁹⁶ A Consent Order is a process whereby a member admits to the findings of the Investigation Committee and consents to the sanctions imposed. Not all PABs' processes and procedures provide for a Consent Order process.

during 2009, the number of cases closed during 2009 and at what stage of the investigation and disciplinary process such complaints were closed by each PAB;

- Tables B.3 and B.4 outline the nature of the complaints received by each PAB during 2009;
- Table B.5 outlines the sanctions that may be imposed by each PAB in the case of complaints found to have been proven. It should be noted that this Table refers only to sanctions available to Investigation Committees & Disciplinary Tribunals and does not take into account sanctions that may be imposed other than as part of the investigation & disciplinary process, e.g. by other Committees that operate outside the investigation & disciplinary process (e.g. Registration Committees and Quality Assurance Committees, howsoever called); and
- Tables B.6 and B.7 provide an analysis of the sanctions actually imposed in the case of complaints found to have been proven. As can be seen from those Tables, the sanctions most commonly imposed are reprimands, fines and the imposition of costs.

Table B.1: Summary of complaints – Irish relevant

Year to 31 December 2009	Recognised Accountancy Bodies									
	TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Complaints outstanding at 1 January, 2009	233	120	0	82 ⁹⁷	0	23	6	0	2	0
During the year:										
Add: New cases arising during the year	179	77	0	80	0	18	3	0	1	0
Less: Cases closed during the year by:										
- Conciliation	(21)	(21)	0	0	0	0	0	0	0	0
- Secretary/Staff	(35)	(27)	0	0	0	(4)	(4)	0	0	0
- Assessor	(1)	(1)	0	0	0	0	0	0	0	0
- Investigation/Complaints Committee	(84)	0	0	(65)	0	(18)	0	0	(1)	0
- Disciplinary Committee	(14)	(5)	0	(1)	0	(8)	0	0	0	0
- Appeal Committee	(6)	(3)	0	(3)	0	0	0	0	0	0
- Other	(5)	0	0	(4)	0	0	0	0	(1)	0
Complaints outstanding at 31 December, 2009	246	140	0	89	0	11	5	0	1	0

Table B.2: Summary of complaints - Registered Auditors

Year to 31 December 2009	Recognised Accountancy Bodies						
	TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Complaints outstanding at 1 January, 2009	240	80	55	78 ⁹⁸	0	21	6
During the year:							
Add: New cases arising during the year	246	66	93	68	0	16	3
Less: Cases closed during the year by:							
- Conciliation	(17)	(17)	0	0	0	0	0
- Secretary/Staff	(51)	(21)	(22)	0	0	(4)	(4)
- Assessor	(1)	(1)	0	0	0	0	0
- Investigation/Complaints Committee	(131)	0	(45)	(70)	0	(16)	0
- Disciplinary Committee	(21)	(3)	(7)	(4)	0	(7)	0
- Appeal Committee	(6)	(2)	(2)	(2)	0	0	0
- Other	(3)	0	0	(3)	0	0	0
Complaints outstanding at 31 December, 2009	256	102	72	67	0	10	5

Note: ICAEW audit registration allows an audit firm to audit in both the UK and Ireland. The above statistics relate to complaints received by the ICAEW in respect of all firms with audit registration. Certain of these complaints may relate to firms not permitted to audit in Ireland by virtue of section 187 of the Companies Act, 1990 which prohibits audit firms established as corporate bodies undertaking statutory audits in Ireland.

⁹⁷ ICAI's opening figure has been restated from the 2008 published closing figure of 106. The restatement corrects the previous inclusion by the ICAI of data relating to Northern Ireland in *Irish Relevant*, complaint figures.

⁹⁸ ICAI's opening figure has been restated from the 2008 published closing figure of 84. The restatement corrects the previous inclusion by the ICAI of data relating to corporate entities, which are not permitted to perform statutory audits by virtue of section 187 of the Companies Act 1990.

Table B.3: Nature of complaints received - Irish relevant

Year to 31 December 2009	Recognised Accountancy Bodies						AIA	CIMA	CIPEA
	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA			
Poor work or unsatisfactory professional service or conduct	19	0	38	0	12	0	0	0	0
Loss/withholding of client records	9	0	2	0	1	1	0	0	0
Fee disputes	7	0	8	0	0	2	0	0	0
Delay/failure to respond and/or co-operate with the Institute/Association or an external party	3	0	10	0	1	0	0	0	0
Failure to report to a Regulator	0	0	0	0	0	0	0	0	0
Criminal conviction/Civil proceedings	0	0	0	0	0	0	0	0	0
Carrying on public practice or audit while not authorised	3	0	2	0	0	0	0	0	0
Execution of an audit report by non-RI (Responsible Individual)	0	0	0	0	0	0	0	0	0
Other breach of company law/restriction or disqualification as a director/failure to satisfy judgement debt	0	0	9	0	0	0	0	0	0
Other audit related matters	14	0	12	0	0	0	0	0	0
Professional appointment related	0	0	2	0	2	0	0	0	0
Breach of Code of Ethics	7	0	13	0	3	0	0	0	0
Breach of Institute/Association Rules or Regulations (such as in relation to client monies, professional indemnity insurance)	2	0	11	0	0	0	0	0	0
Matters relating to insolvency work or conduct of a liquidation	8	0	6	0	0	0	0	0	0
Matters relating to investment business	0	0	5	0	1	0	0	0	0
Tax work	0	0	3	0	0	0	0	0	0
Training/student related matters	5	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	1	0

Note: Complaints are included in whichever category is relevant to the complaint, including more than one category where the complaint has a number of different elements.

Table B.4: Nature of complaints received - Registered Auditors

Year to 31 December 2009	Recognised Accountancy Bodies					
	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Poor work or unsatisfactory professional service or conduct	19	0	1	0	12	0
Loss/withholding of client records	9	0	3	0	1	1
Fee disputes	6	0	8	0	0	2
Delay/failure to respond and/or co-operate with the Institute/Association or an external party	2	9	6	0	1	0
Failure to report to a Regulator	0	0	0	0	0	0
Criminal conviction/Civil Proceedings	0	0	0	0	0	0
Carrying on public practice or audit while not authorised	1	14	0	0	0	0
Other breach of company law/restriction or disqualification as a director/failure to satisfy judgement debt	0	8	0	0	0	0
Execution of an audit report by non-RI (Responsible Individual)	0	8	12	0	0	0
Other audit related matters	14	21	14	0	0	0
Professional appointment related	0	4	1	0	2	0
Breach of Code of Ethics	6	11	9	0	3	0
Breach of Institute/Association Rules or Regulations (such as in relation to client monies, professional indemnity insurance)	1	9	13	0	0	0
Matters relating to insolvency work or conduct of a liquidation	8	9	5	0	0	0
Matters relating to investment business	0	0	1	0	1	0
Tax work	0	0	3	0	0	0
Training/student related matters	0	0	0	0	0	0
Other	0	0	0	0	0	0

Note: Complaints are included in whichever category is relevant to the complaint, including more than one category where the complaint has a number of different elements.

Note: ICAEW audit registration allows an audit firm to audit in both the UK and Ireland. The above statistics relate to complaints received by the ICAEW in respect of all firms with audit registration. Certain of these complaints may relate to firms not permitted to audit in Ireland by virtue of section 187 of the Companies Act, 1990 which prohibits audit firms established as corporate bodies undertaking statutory audits in Ireland.

Table B.5: Disciplinary sanctions available

Year to 31 December 2009	Recognised Accountancy Bodies								
	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Reprimand/severe reprimand	Y	Y	Y	Y	Y	Y	Y	Y	Y
Fine	Y	Y	Y	Y	Y	Y	Y	Y	Y
Costs	Y	Y	Y	Y	Y	Y	Y	Y	Y
Exclusion from membership	Y	Y	Y	Y	Y	Y	Y	Y	Y
Suspension from membership	N	N	Y	Y	Y	Y	Y	N	Y
Suspension of audit authorisation	Y	Y	N	N	Y	Y	N/A	N/A	N/A
Withdrawal of audit authorisation	N	Y	Y	Y	Y	Y	N/A	N/A	N/A
Suspension of other authorisation	Y	-	N	Y	Y	Y	Y	N/A	Y
Withdrawal of other authorisation	N	-	Y	Y	Y	Y	Y	Y	Y
Attach conditions to an authorisation	Y	Y	N	Y	Y	Y	Y	Y	N
Ineligible for an authorisation for period of time	N	N	Y	N	Y	Y	Y	N	N
Direct member to reimburse complainant for expenses incurred in connection with the complaint	Y	Y	N	N	N	N	N	N	Y
Direct member to refund fees/commission to complainant	Y	Y	N	N	N	N	N	N	Y
Direct member to pay compensation to complainant	Y	-	N	N	N	N	N	N	N
Rest on file/similar sanction ⁹⁹	Y	N	Y	N	Y	Y	Y	N	Y
Proven but no penalty/similar sanction	Y	-	Y	Y	Y	N	Y	Y	Y
Publication of findings, including member's name	Y	Y	Y	Y	Y	Y	Y	Y	Y
Other	Y	-	-	-	N	-	N/A	Y	-

Key: Y = Available as a sanction; N = not available as a sanction; N/A = Not applicable to that body in Ireland

⁹⁹ The sanction of 'Rest on file' is typically reserved for situations where it is concluded that the member is liable to disciplinary action but no immediate action is warranted. Details of the issue are placed on the member's file and may subsequently be taken into account should other issues come to the PAB's attention that would render that member liable to disciplinary action.

Table B.6: Analysis of sanctions imposed - Ireland relevant

Year to 31 December 2009	Recognised Accountancy Bodies						AIA	CIMA	CIPFA
	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA			
Reprimands/severe reprimands imposed	6	-	18	-	8	-	-	-	-
Cases where fines were imposed	4	-	14	-	10	-	-	-	-
Aggregate value of fines imposed	£12,000	-	€46,520	-	€29,150	-	-	-	-
Maximum fine imposed in a single case	£5,000	-	€ 8,000	-	€ 10,000	-	-	-	-
Cases where costs were imposed	7	-	17	-	9	-	-	-	-
Aggregate value of costs imposed	£6,574.50	-	€56,883	-	€19,000	-	-	-	-
Maximum costs imposed in a single case	£1,442.50	-	€12,460	-	€3,500	-	-	-	-
Member exclusions applied	1	-	-	-	-	-	-	-	-
Member suspensions applied	-	-	1	-	-	-	-	-	-
Suspensions of audit authorisation applied	-	-	-	-	-	-	-	-	-
Suspensions of other authorisation applied	-	-	-	-	-	-	-	-	-
Withdrawals of audit authorisation applied	-	-	-	-	1	-	-	-	-
Cases where conditions were attached to authorisation	-	-	-	-	3	-	-	-	-
Refund of fees/commissions	-	-	-	-	-	-	-	-	-
Ineligible for an authorisation for period of time	-	-	-	-	1	-	-	-	-
Directions to pay compensation to complainant	1	-	-	-	-	-	-	-	-
Aggregate value of compensation awarded to complainants	£2,525	-	-	-	-	-	-	-	-
Cases resting on file/similar ⁹⁹	-	-	-	-	-	-	-	-	-
Cases proven but no penalty or similar	-	-	1	-	-	-	-	-	-
Student exclusions/suspensions applied	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	1	-
Consent orders offered during the year	-	-	11	-	3	-	-	-	-
Consent orders accepted during the year	-	-	11	-	3	-	-	-	-
Cases where the committee decision was published	7	-	14	-	10	-	-	-	-
Cases where the decision was published, and the member identified in the publication	7	-	8	-	3	-	-	-	-

Table B.7: Analysis of sanctions imposed - Registered Auditors

Year to 31 December 2009	Recognised Accountancy Bodies					
	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Reprimands/severe reprimands imposed	5	37	22	-	8	-
Cases where fines were imposed	3	40	18	-	9	-
Aggregate value of fines imposed	£10,500	£177,000	€72,770	-	€26,150	-
Maximum fine imposed in a single case	£5,000	£40,000	€10,000	-	€13,000	-
Cases where costs were imposed	5	44	20	-	8	-
Aggregate value of costs imposed	£4,027.50	£115,055	€ 63,986	-	€17,500	-
Maximum costs imposed in a single case	£1,422.50	£17,000	€8,800	-	€3,500	-
Member exclusions applied	-	3	1	-	-	-
Member suspensions applied	-	-	1	-	-	-
Suspensions of audit authorisation applied	-	-	-	-	-	-
Withdrawals of audit authorisation applied	-	-	-	-	1	-
Cases where conditions were attached to authorisation	-	-	-	-	3	-
Ineligible for an authorisation for period of time	-	-	-	-	1	-
Refunds of fees/commissions applied	-	-	-	-	-	-
Directions to pay compensation to complainant	1	-	-	-	-	-
Aggregate value of compensation awarded to complainant	£2,525	-	-	-	-	-
Cases resting on file/similar ⁹⁹						-
Cases proven but no penalty or similar	-	-	1	-	-	-
Other	-	-	-	-	-	-
Consent orders offered during the year	-	30	14	-	3	-
Consent orders accepted during the year	-	31	16	-	3	-
Cases where the committee decision was published	5	94	22	-	10	-
Cases where the decision was published, and the member identified in the publication	5	93	10	-	3	-

Note: ICAEW audit registration allows an audit firm to audit in both the UK and Ireland. The above statistics relate to complaints received by the ICAEW in respect of all firms with audit registration. Certain of these complaints may relate to firms not permitted to audit in Ireland by virtue of section 187 of the Companies Act, 1990 which prohibits audit firms established as corporate bodies undertaking statutory audits in Ireland.

Part C: Student population and education

The Tables and Charts in this Part provide information regarding the student profile of each of the nine PABs as well as the PABs in aggregate. The education and training of students forms a significant part of the overall activities of the PABs. Whilst students are subject to the provisions of applicable bye-laws, rules and regulations of the relevant PAB, they:

- do not have the status of membership of that PAB;
- cannot hold themselves out to be members;
- cannot provide accounting services to the public; and
- are not entitled to use the designatory letters reserved for members of that PAB.

Student Population - Highlights 2009

- Taking all PABs in aggregate, there has been a decrease of approximately 1% in total student numbers in Ireland in 2009, while there was a 6% increase in total worldwide student numbers during the year (Table C.1).
- As with membership, ICAI, ICPAI and IIPA students are predominantly based in Ireland, with the majority of the students of CIMA, CIPFA, ICAEW and ICAS being based in the UK. A majority of ACCA and AIA students (68% and 97% respectively) are located outside the EU.
- Four bodies dominate the student market in Ireland – ACCA students comprise 51% of all PAB students in Ireland, followed by ICAI with 27%, CIMA with 13% and ICPAI with 7% (Chart C.2). ICAEW, IIPA, AIA and CIPFA have very small student populations in Ireland, collectively comprising less than 1% of the market. ICAS do not currently have any students located in Ireland.
- In contrast to the membership statistics (Part A of this Chapter refers), the majority of PAB students are female (53%) (Table C.4). On an individual basis, Chart C.5 shows that ACCA, ICAI and ICPAI all have a majority female student population.
- On an aggregate basis, employment in business is the largest employment sector for PAB students in Ireland at 43%, followed by practice at 38% (Chart C.6). On an individual basis, the statistics show that ICAI and AIA students are employed predominantly in practice, while business is the largest employer for students of ACCA, ICPAI and CIMA (Table C.6).
- The majority of PAB students (60%) are between 25 and 34 years of age (Chart C.8), although this is not the case in all bodies, with a majority of ICAI's student population (53%) being under 25 (Table C.6).
- During 2009, 68% of all students newly registered by the PABs held a degree or post-graduate qualification (Chart C.10). On an individual basis, ICAI has the highest proportion of students with a relevant degree or post-qualification (85%).
- There has been a decrease of approximately 22% in the number of students who registered for the first time in 2009 compared with the number in 2008, with a 16% decrease during the 2007-2009 period (Table C.8).
- Of the 3,748 new students registered during the year, ACCA students comprise 49%, ICAI 32%, CIMA 10% and ICPAI 8%, with the other PAB's accounting for the remaining 1%.

Table C.1: Students worldwide - location

As at 31 December	2008 TOTAL	2009 TOTAL	Recognised Accountancy Bodies								
			ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Ireland	18,821	18,644	9,580	5	5,098	0	1,385	164	4	2,397	11
UK	152,958	151,884	78,502	14,206	1,073	3,075	10	1	139	51,976	2,902
Other EU Member States	20,119	21,855	18,938	803	0	44	1	0	83	1,984	2
Other locations	245,688	272,479	227,403	1,503	0	0	27	0	6,931	36,552	63
Total students worldwide	437,586	464,862	334,423	16,517	6,171	3,119	1,423	165	7,157	92,909	2,978

Chart C.1: Students worldwide - location

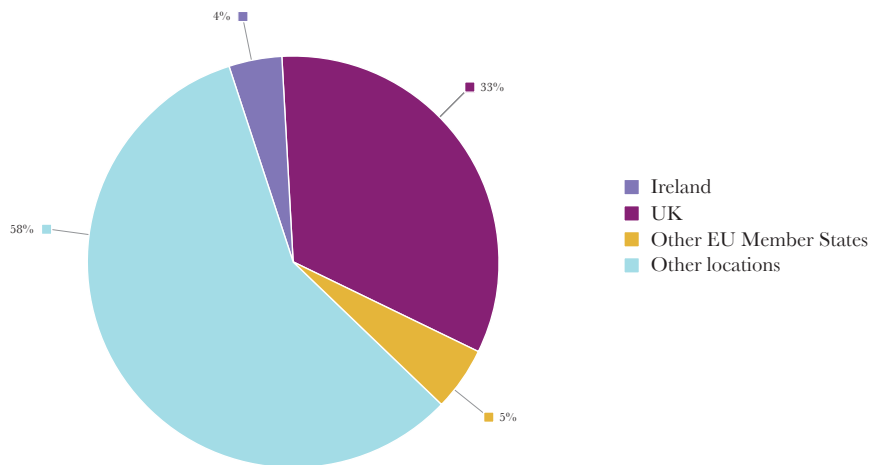


Chart C.2: Students worldwide - comparison of location

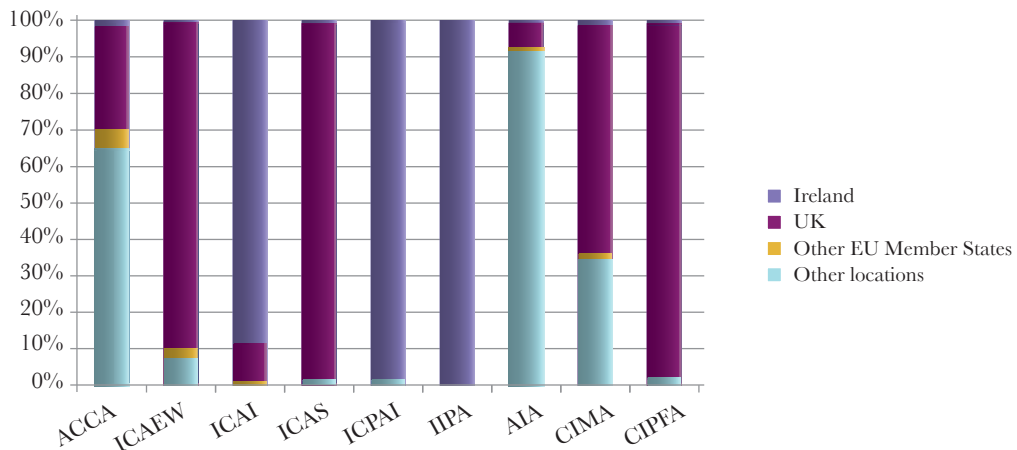


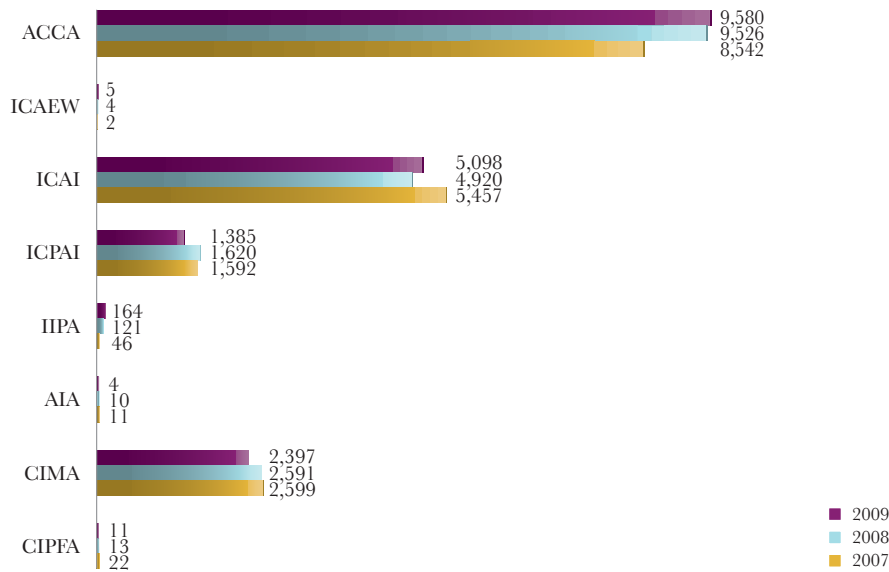
Table C.2: Students in Ireland - movement during the year

	Recognised Accountancy Bodies										
	2008 TOTAL	2009 TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Students in Ireland at 1 January	18,289	18,805	9,526	4	4,920	0	1,620	121	10 ¹⁰⁰	2,591	13
During the year:											
Add: New students registered	4,806	3,748	1,838	1	1,190	0	298	46	0	373	2
Less: Lapsed student registrations	(2,092)	(2,073)	(1,268)	0	(48)	0	(373)	(3)	0	(381)	(1)
Student registrations cancelled	(143)	(215)	(37)	0	(171)	0	0	0	(6)	0	(2)
Students admitted as full members	(2,055)	(1,774)	(479)	(2)	(910) ¹⁰¹	0	(186)	0	0	(197)	(1)
Other	16	153	0	2	117	0	26	0	0	11	0
Students in Ireland at 31 December	18,821	18,644	9,580	5	5,098	0	1,385	164	4	2,397	11

Table C.3: Students in Ireland - movement from 2007 - 2009

Membership In Ireland as at 31 December	2007	2008	2009
ACCA	8,542	9,526	9,580
ICAEW	2	4	5
ICAI	5,457	4,920	5,098
ICAS	-	-	-
ICPAI	1,592	1,620	1,385
IIPA	46	121	164
AIA	11 ¹⁰²	8 ¹⁰²	4
CIMA	2,599	2,591	2,397
CIPFA	22	13	11
Total	18,271	18,803	18,644

Chart C.3: Comparison of student membership in Ireland 2007 - 2009



¹⁰⁰ AIAs opening figure as published in the 2008 Annual Report has been restated from 26 to exclude Elected members previously included in Student figures.

¹⁰¹ ICAI figures for Students admitted as full members in Table A.2 (721) & Table C.2 (910) do not cross check due to discrepancies in the movement of candidates between studentship & membership. Students may complete their term as a student in 'Ireland' and enter into membership while located outside of 'Ireland'.

¹⁰² AIAs Student figures as published in the 2008 Annual Report have been restated from 29 (2007) & 26 (2008) to exclude Elected members who were previously included in Student figures. The 2008 analysis provided by the AIA for Tables C1, C2, C4, C5 and C6 does not include the movement of these 18 Elected members from Students to members.

Table C.4: Students in Ireland - gender profile

As at 31 December	Recognised Accountancy Bodies										
	2008 TOTAL	2009 TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Female	9,982	9,860	5,250	0	2,635	0	907	66	1	993	8
Male	8,839	8,784	4,330	5	2,463	0	478	98	3	1,404	3
Total	18,821	18,644	9,580	5	5,098	0	1,385	164	4	2,397	11

Chart C.4: Students in Ireland - gender profile

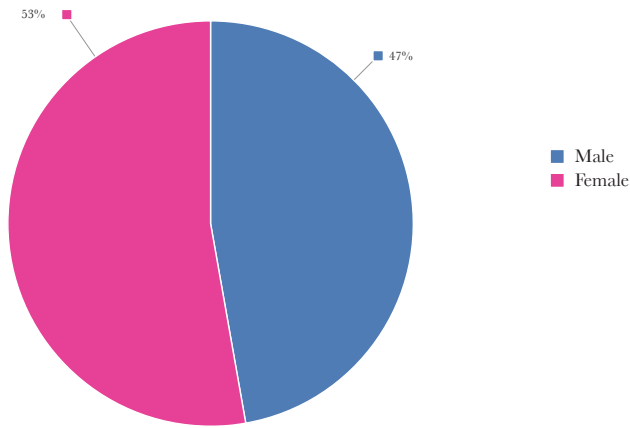


Chart C.5: Students in Ireland - comparison of gender profile

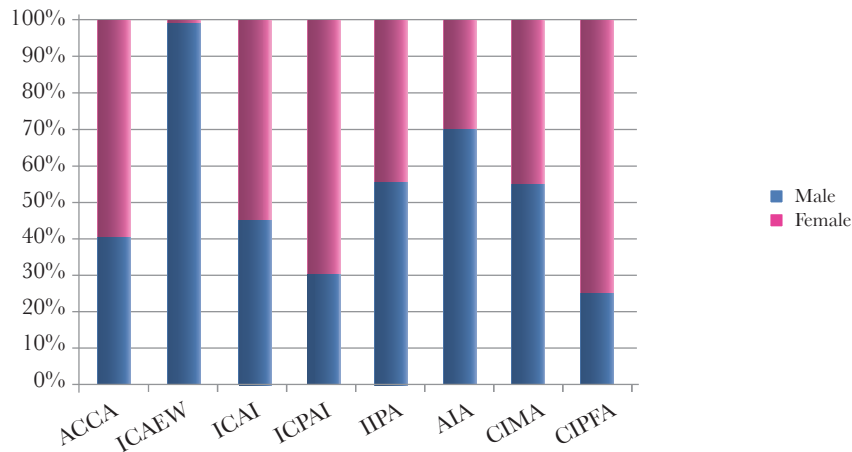


Table C.5: Students in Ireland - employment status

As at 31 December	Recognised Accountancy Bodies										
	2008 TOTAL	2009 TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Practice	7,396	7,104	2,169	1	4,572	0	312	47	3	0	0
Industry/Business	8,137	8,011	4,671	0	170	0	736	58	1	2,373	2
Public sector	796	793	610	0	14	0	122	14	0	24	9
In full-time education	1,052	762	643	0	114	0	5	0	0	0	0
Other	1,440	1,974	1,487	4	228	0	210	45	0	0	0
Total	18,821	18,644	9,580	5	5,098	0	1,385	164	4	2,397	11

Chart C.6: Students in Ireland - employment status

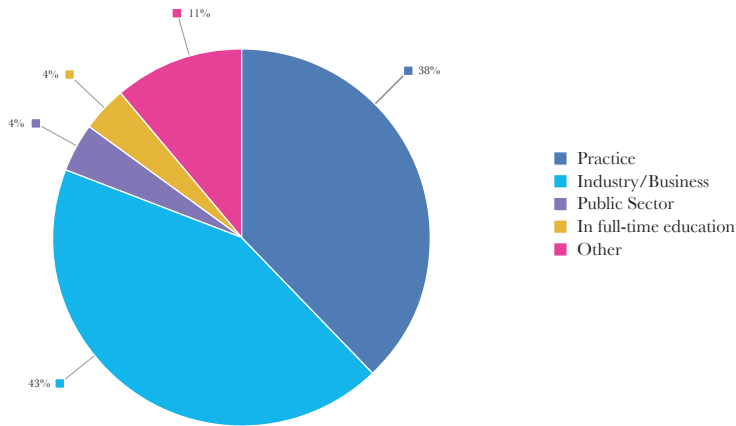


Chart C.7: Students in Ireland - comparison of employment status

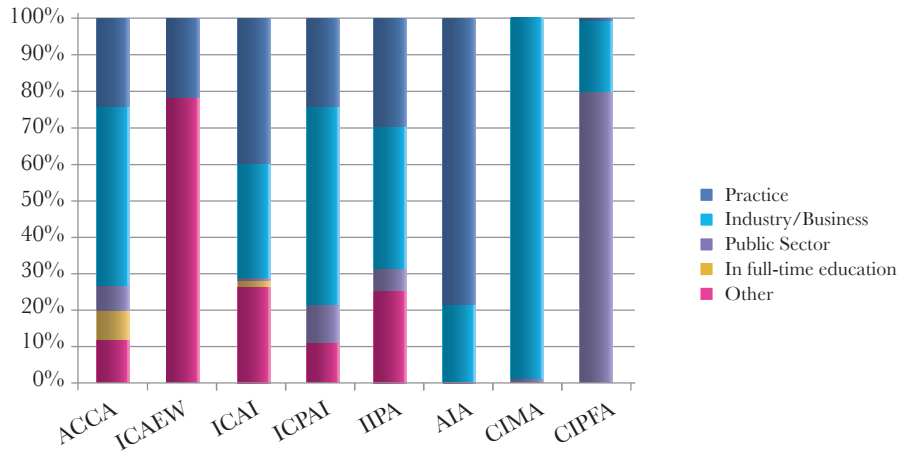


Table C.6: Students in Ireland - age profile

As at 31 December	Recognised Accountancy Bodies										
	2008 TOTAL	2009 TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
< 25	4,714	3,757	766	1	2,684	0	184	8	0	114	0
25 - 34	10,886	11,260	6,655	2	2,328	0	779	66	3	1,426	1
35 - 44	2,544	2,914	1,777	2	74	0	314	52	1	688	6
45 - 54	519	568	305	0	10	0	92	31	0	127	3
55 - 64	139	130	68	0	2	0	15	7	0	38	0
65+	19	15	9	0	0	0	1	0	0	4	1
Total	18,821	18,644	9,580	5	5,098	0	1,385	164	4	2,397	11

Chart C.8: Students in Ireland - age profile

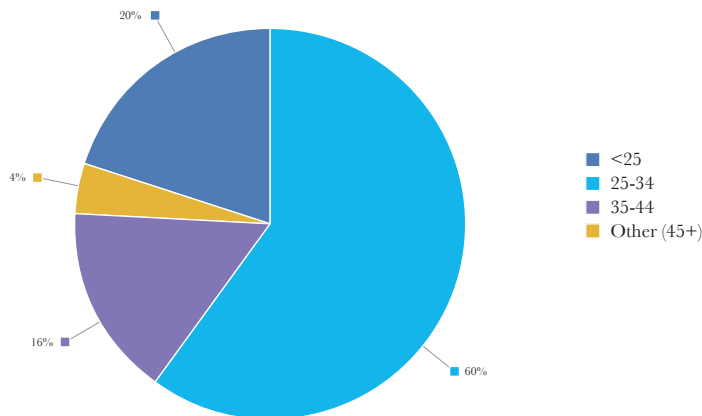


Chart C.9: Students in Ireland - comparison of age profile

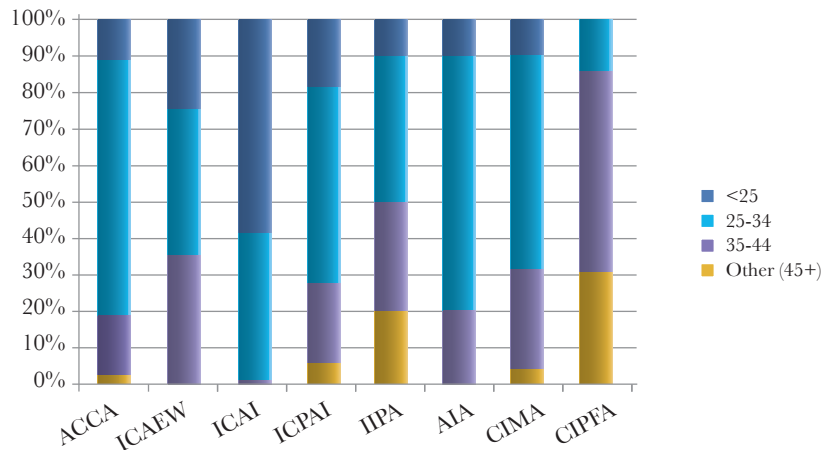


Table C.7: New students registered in Ireland - educational background

Students registered during the year	Recognised Accountancy Bodies										
	2008 TOTAL	2009 TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Non-relevant primary degree	1,159	830	625	1	131	0	8	3	0	62	0
Relevant primary degree	1,690	1,344	304	0	800	0	104	13	0	123	0
Non-relevant post-graduate qualification	152	123	92	0	0	0	1	0	0	30	0
Relevant post-graduate qualification	235	262	27	0	207	0	8	5	0	15	0
Without a degree	1,570	1,189	790	0	52	0	177	25	0	143	2
New students registered	4,806	3,748	1,838	1	1,190	0	298	46	0	373	2

Chart C.10: New students registered in Ireland - educational background

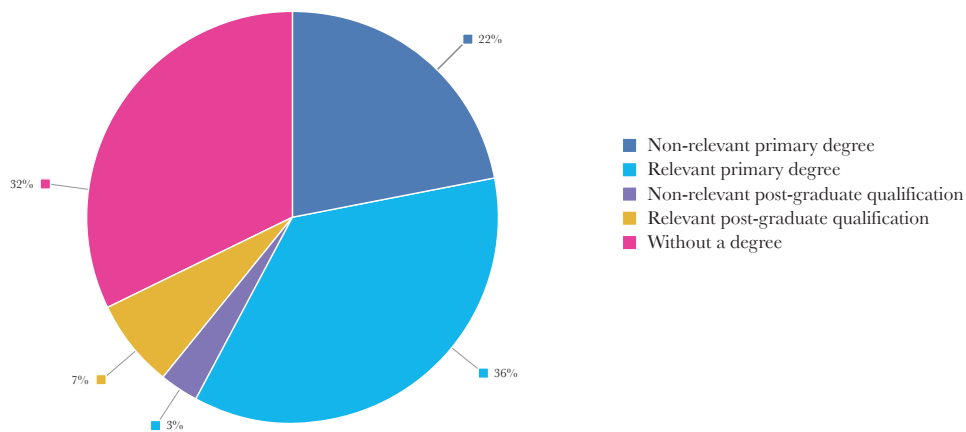
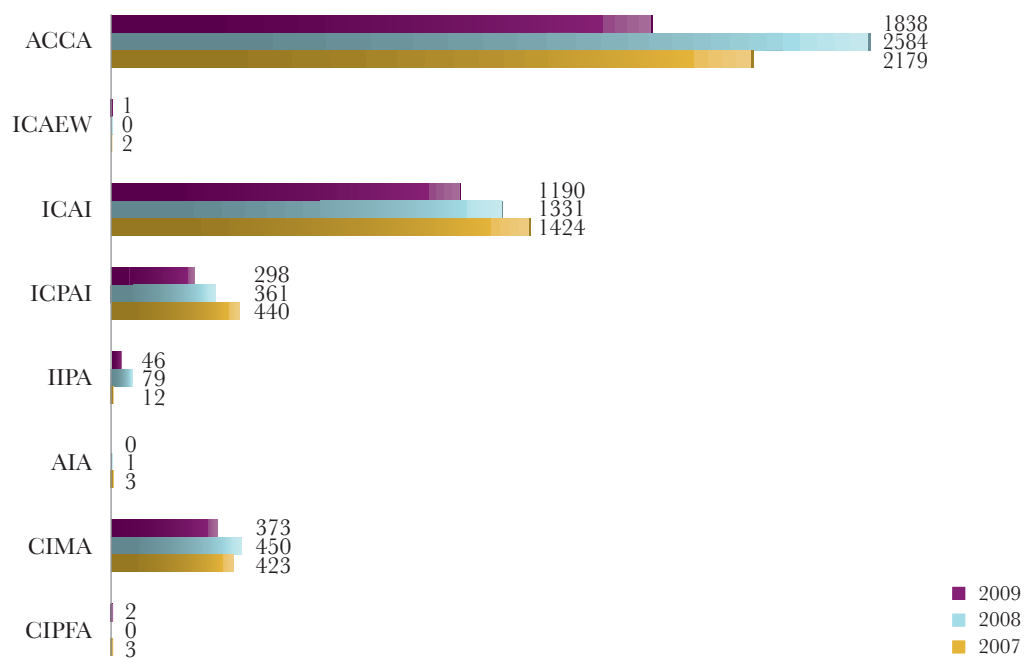


Table C.8: New students registered in Ireland - movement from 2007 - 2009

New Students In Ireland as at 31 December	2007	2008	2009
ACCA	2,179	2,584	1,838
ICAEW	2	0	1
ICAI	1,424	1,331	1,190
ICAS	0	0	0
ICPAI	440	361	298
IIPA	12	79	46
AIA	3	1	0
CIMA	423	450	373
CIPFA	3	0	2
Total	4,486	4,806	3,748

Chart C.11: Comparison of new students registered in Ireland 2007 - 2009



Part D: Practising authorisation

As alluded to in Part A, the PABs impose additional requirements on those of their members wishing to engage in public practice (i.e. offering services to the public) before authorising them to do so. These additional requirements normally include:

- the necessity to arrange minimum levels of Professional Indemnity Insurance ('PII') cover;
- putting in place practice continuity arrangements whereby in the event of non-continuation of the practice (e.g. in the case of illness or death) clients' affairs will be afforded continuity of service;
- obtaining minimum levels of post admittance to membership experience; and
- undertaking CPD in areas of relevance to their practice.

Members or member firms who satisfy the specified criteria are granted a practising certificate, which authorises them to engage in public practice (but not to carry out work in reserved areas such as audit or investment business, for which additional authorisations are required). Such members and member firms are generally required to renew this authorisation annually. Employees of a practising member or firm are not usually required to hold a practising certificate, unless they are holding themselves out to provide services to the public in their individual capacity as a member.

The following Tables detail how many of the PABs' members that are located in Ireland have satisfied the relevant requirements and have been authorised to engage in public practice. Some of the PABs also authorise members located outside of Ireland to practise and, accordingly, the Tables also show the number of such members that have been granted a practising certificate which includes the authorisation

to engage in public practice in Ireland.

The Tables show that, while there are 30,846 PAB members authorised to engage in public practice as at 31 December, 2009, only 3,188 of those members were located in Ireland. Of those located in Ireland, three bodies dominate the population, with ICAI members accounting for 53%, ACCA members at 20% and ICPAI members making up 17%.

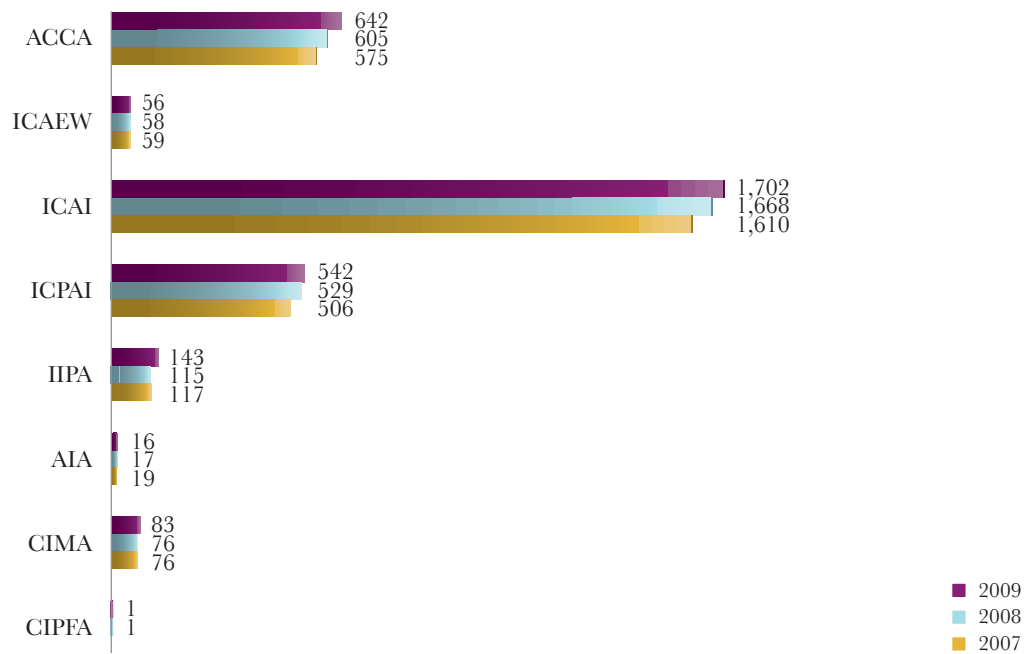
Table D.1: Members with Practising Certificates who are located in Ireland

As at 31 December 2009	Recognised Accountancy Bodies									
	TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPEA
Whether the grant of a practising certificate is to an individual member or a firm	-	Member	Member	Member	Member	Member	Both	Member	Member	Member
Members with practising certificates at 1 January 2009	3,073	605	58	1,668	4	529	115	17	76	1
During the year:										
Add: Members who were granted a new certificate during the year	211	68	3	75	0	28	30	0	7	0
Less: Members who did not renew their practising certificate during the year	(92)	(31)	(5)	(37)	(1)	(15)	(2)	(1)	0	0
Less: Practising certificates withdrawn by the Institute/Association during the year	(2)	0	0	(2)	0	0	0	0	0	0
Other	(2)	0	0	(2)	0	0	0	0	0	0
Practising certificates at 31 Dec, 2009 (For members located in Ireland)	3,188	642	56	1,702	3	542	143	16	83	1
Practising certificates at 31 Dec, 2009 to practice in Ireland (For members worldwide)	30,846	1,247	23,083	2,320	1,795	544	143	16	1,331	367

Table D.2: Members with Practising Certificates who are located in Ireland - movement from 2007 - 2009

Practising certificates at 31 December (for members located in Ireland)	2007	2008	2009
ACCA	575	605	642
ICAEW	59	58	56
ICAI	1,610	1,668	1,702
ICAS	4	4	3
ICPAI	506	529	542
IIPA	117	115	143
AIA	19	17	16
CIMA	76	76	83
CIPFA		1	1
Total	2,966	3,073	3,188

Chart D.1: Members with Practising Certs located in Ireland 2007 - 2009



Part E: Registered Auditors

The Tables and Charts in this Part provide information in respect of the members/member firms authorised by the six¹⁰³ Recognised Accountancy Bodies ('RABs') to perform statutory audits.

Certain companies are obliged under company law to have their financial statements audited by a suitably qualified auditor or audit firm on an annual basis¹⁰⁴. To be eligible to undertake statutory audits of a company, an individual or a firm must meet the criteria set out in section 187 of the 1990 Act. These criteria include:

- i. being a member of a RAB; and
- ii. holding a valid practising certificate (conferring the entitlement to audit) from such a body.

Section 187 of the 1990 Act also provides that certain persons who, while not necessarily being members of a RAB, are entitled to perform statutory audit work on foot of individual Ministerial authorisations granted prior to 3 February, 1983 and having been registered under the provisions of section 199(3) of the 1990 Act. Further details of these individuals are provided in Part F of this Chapter.

'Registered Auditor', in the context of the following tables, means a firm or an individual that is registered to undertake statutory audits under the Companies Acts, being a member or member firm of a RAB and holding the appropriate practising certificate/authorisation from such a body.

Membership of a RAB does not automatically entitle an individual or firm to provide audit services. Rather, to obtain audit registration, a member or firm must satisfy the relevant RAB's additional criteria (i.e. over and above those required for (i) membership; and (ii) practising authorisation) which normally include:

- an audit qualification for any individual who proposes to sign an audit report; and
- sufficient and appropriate post-membership audit experience.

While 4,715 members/member firms have been authorised by the RABs to offer auditing services in Ireland (Table E.1), the number of those with offices in Ireland is substantially smaller at 1,542 (Table E.3) (this is attributable to the fact that, generally speaking, authorisation by UK based RABs of UK based members/member firms also constitutes authorisation to perform statutory audits in Ireland). The majority (71%) of auditors with offices in Ireland operate as one principal firms (Table E.3), meaning that there is one partner in the firm, who may or may not employ a number of staff.

¹⁰³ The other three prescribed bodies (i.e. AIA, CIMA and CIPFA) are not RABs in Ireland and may not, therefore, confer audit authorisations on their members/member firms in Ireland.

¹⁰⁴ Certain companies who meet defined criteria may avail of an exemption from the general requirement to have their financial statements audited.

Table E.1: Registered Auditors - analysis by principal and offices worldwide

As at 31 December 2009	Recognised Accountancy Bodies						
	TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Whether audit registration is by member or by firm	-	Firm	Firm	Firm	Firm	Firm	Both
Total number of Registered Auditors at 31 December	4,715	540	2,545	985	191	343	111
<i>Analysis of firms by number of principals:</i>							
1 principal	2,835	409	1,370	621	77	250	108
2 - 5 principals	1,608	125	982	334	72	92	3
6 - 10 principals	201	5	134	21	40	1	0
11 - 25 principals	55	1	50	2	2	0	0
26 - 50 principals	11	0	6	5	0	0	0
50 + principals	5	0	3	2	0	0	0
<i>Analysis of firms by number of offices</i>							
1 office	4,166	484	2,184	903	154	330	111
2 offices	383	46	235	58	31	13	0
3 offices	96	8	70	18	0	0	0
4 - 5 offices	52	2	40	5	5	0	0
6 - 10 offices	13	0	11	1	1	0	0
11 - 20 offices	5	0	5	0	0	0	0
More than 20 offices	0	0	0	0	0	0	0

Chart E.1: Comparison of Registered Auditors worldwide by number of principals

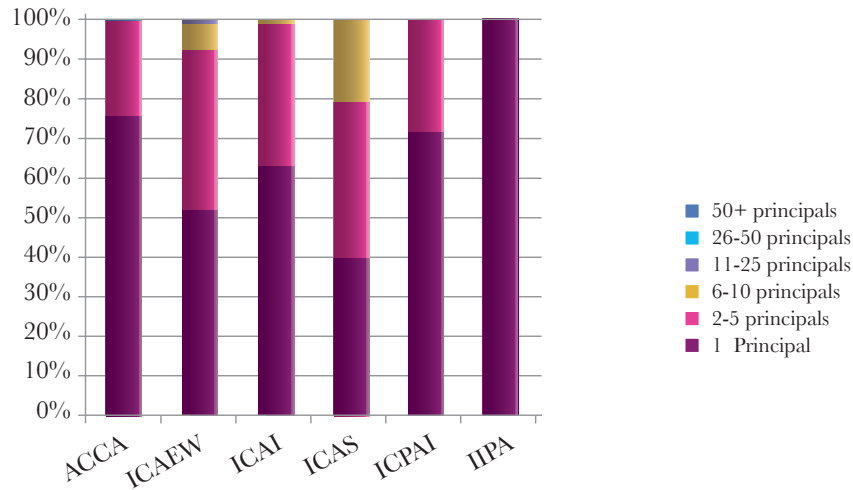


Chart E.2: Comparison of Registered Auditors worldwide by number of offices

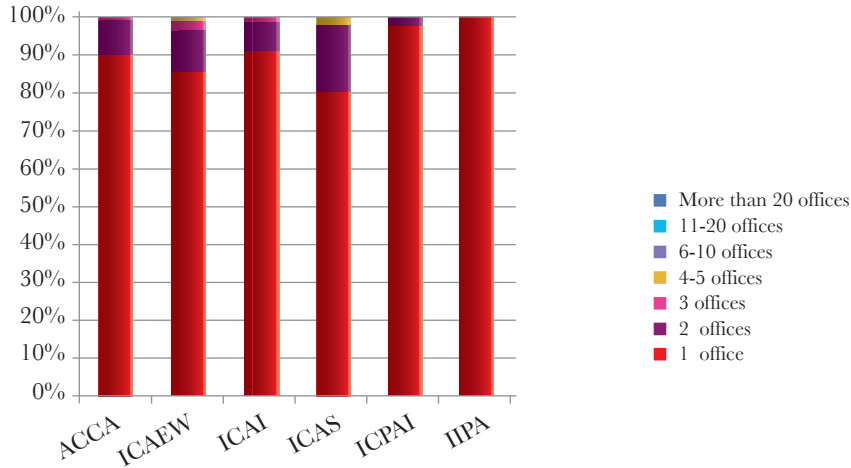


Table E.2: Registered Auditors worldwide - movement from 2007 - 2009

As at 31 December	2007	2008	2009
ACCA	554	531	540
ICAEW	3,154	2,805	2,545
ICAI	1,006	991	985
ICAS	224	205	191
ICPAI	346	339	343
IIPA	117	115	111
Total	5,401	4,986	4,715

Chart E.3: Registered Auditors worldwide 2007 - 2009

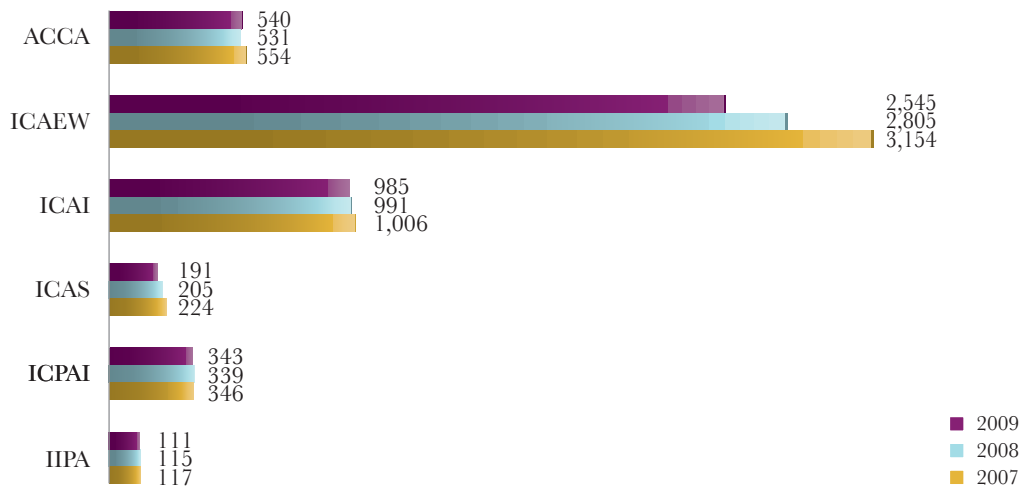


Table E.3: Registered Auditors with offices in Ireland - analysis by principal and offices

As at 31 December 2009	TOTAL	Recognised Accountancy Bodies					
		ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Whether audit registration is by member or by firm	-	Firm	Firm	Firm	Firm	Firm	Both
Total number of Registered Auditors at 31 December	1,542	325	8	754	1	343	111
<i>Analysis of firms by number of principals:</i>							
1 principal	1,100	241	7	493	1	250	108
2 - 5 principals	415	79	1	240	0	92	3
6 - 10 principals	19	5	0	13	0	1	0
11 - 25 principals	1	0	0	1	0	0	0
26 - 50 principals	5	0	0	5	0	0	0
50 + principals	2	0	0	2	0	0	0
<i>Analysis of firms by number of offices</i>							
1 office	1,450	297	8	703	1	330	111
2 offices	74	23	0	38	0	13	0
3 offices	13	4	0	9	0	0	0
4 - 5 offices	4	1	0	3	0	0	0
6 - 10 offices	1	0	0	1	0	0	0
11 - 20 offices	0	0	0	0	0	0	0
More than 20 offices	0	0	0	0	0	0	0

Table E.4: Registered Auditors with offices in Ireland - movement from 2007 - 2009

As at 31 December	2007	2008	2009
ACCA	307	311	325
ICAEW	7	8	8
ICAI	770	759	754
ICAS	1	1	1
ICPAI	346	339	343
IIPA	117	115	111
Total	1,548	1,533	1,542

Chart E.4: Registered Auditors with offices in Ireland 2007 - 2009

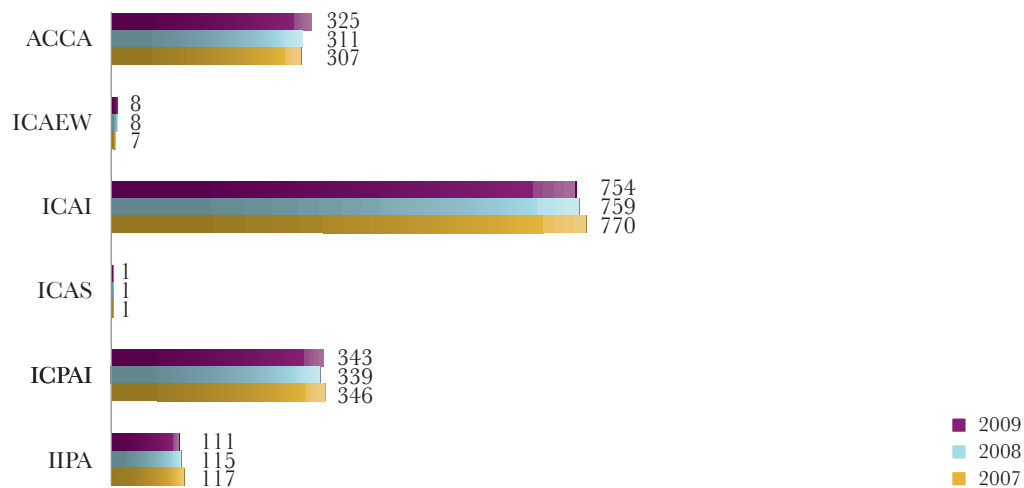


Table E.5: Registered Auditors - movement during the year

Year to 31 December 2009	Total	Recognised Accountancy Bodies					
		ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Audit registrations at 1 January, 2009	4,986	531	2,805	991	205	339	115
During the year:							
Add: New applications for audit registration accepted	149	53	40	30	3	20	3
Less: Audit registrations withdrawn/not renewed following a request from the registered auditor	(395)	(42)	(281)	(33)	(17)	(15)	(7)
Audit registrations withdrawn /suspended as a result of disciplinary or other regulatory action taken by the Institute/Association	(25)	(2)	(19)	(3)	0	(1)	0
Other	0	0	0	0	0	0	0
Registered Auditors at 31 December, 2009	4,715	540	2,545	985	191	343	111

Table E.6: Registered Auditors with offices in Ireland - movement during the year

Year to 31 December 2009	Total	Recognised Accountancy Bodies					
		ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Audit registrations at 1 January, 2009	1,533	311	8	759	1	339	115
During the year:							
Add: New applications for audit registration accepted	70	26	0	21	0	20	3
Less: Audit registrations withdrawn/not renewed following a request from the registered auditor	(59)	(12)	0	(25)	0	(15)	(7)
Audit registrations withdrawn/suspended as a result of disciplinary or other regulatory action taken by the Institute/Association	(3)	0	0	(2)	0	(1)	0
Other	1	0	0	1	0	0	0
Registered Auditors at 31 December, 2009	1,542	325	8	754	1	343	111

Part F: Individually Authorised Auditors

As alluded to in Part E of this Chapter, section 187 of the 1990 Act provides that certain persons who, while not necessarily being members of a RAB, are entitled to perform statutory audit work on foot of individual Ministerial authorisations granted prior to 3 February, 1983 and having been registered under the provisions of section 199(3) of the 1990 Act.

By virtue of such authorisations, those persons are, following the enactment and commencement of the Act, deemed to be authorised to act in that capacity by the Authority. In accordance with the provisions of section 199(3A) of the 1990 Act, these individuals (referred to as Individually Authorised Auditors) are required to notify the Registrar of Companies at least once in each year that they are continuing to act as an auditor. Table F.1: below provides details of individually authorised auditors as notified to the Companies Registration Office ('CRO') during 2009.

Table F.1: List of Individually Authorised Auditors notified to the CRO during 2009

Sean Ardagh 168 Walkinstown Road Dublin 12	John Fahey 60 O'Connell Street Clonmel Co. Tipperary	E. P. Murphy 3 Ballymace Green Templeogue Dublin 14	Edward Thornley 100 Strand Road Sandymount Dublin 4
John F. Byrne Byrne & Co. Grange Bective Navan Co. Meath	Patrick D. Finnegan 339 Meadowbrook Kilcoole Co. Wicklow	Patrick J. Murphy "Cummeen" Strandhill Road Sligo	
John Browne Leader House Dublin Road Longford	Charles J. Flynn Unit 1B Village Court Lucan Co. Dublin	Thomas O'Brien "Dunkerron" Leoville Dunmore Road Waterford	
Mary Desmond Collins Red House Hill Patrickswell Co. Limerick	Patrick David Glynn Windemere Glendine Kilkenny	Sean M. O'Carroll 53 Saran Wood Killarney Road Bray Co. Wicklow	
St. John J. Costello "Prospect" Castletroy Co. Limerick	John Hardiman The Manse Northgate Street Athlone Co. Westmeath	Joseph Pattison 1 Jacob Street Kilkenny	
Stephen Cullinane Grealy & Co. Galway Retail Park Headford Road Galway	Leslie Vincent Hogan Monaleen Road Castletroy Limerick	Patrick J. Rocks 9/10 Park Street Monaghan	
Gerard Joseph D'Arcy The Maples Drum Athlone Co. Roscommon	John P. Kcenan 25 St. Catherine's Park Glenageary Dun Laoghaire Co. Dublin	Michael Sheridan 3 Tramore Heights Tramore Co. Waterford	
Cormac Gerard Duffy 44 Dominick Street Galway	J. A. Mullins 12 Doneen Road Woodview Limerick City	Lionel R. Steen 27 High Street Castlecomer Kilkenny	

Source: Companies Registration Office

Part G: Recognised Accountancy Bodies' monitoring of Registered Auditors

Responsibility for the monitoring (i.e. quality assurance processes and monitoring of compliance with professional standards etc.) of members and member firms resides with the RABs. The Authority's role is to supervise the manner in which the RABs discharge their monitoring responsibilities and the Authority's activities in this regard are discussed in Chapter 3 of this Report.

At this time, all of the RABs have arrangements in place for monitoring their members/member firms. In the case of several of the RABs, this regime extends beyond audit into other areas of members' or member firms' activities such as, for example, investment business activities. As this Part is concerned with the quality assurance system employed to assess those members who are Registered Auditors, information on other areas of members' activities such as investment business activity is not discussed here.

Each RAB's quality assurance process is tailored to its specific requirements and elements thereof may include, for example, desk-top reviews of members' annual returns, desk-top reviews of members' individual client engagement files and/or periodic quality assurance visits to Registered Auditors' offices by quality assurance reviewers (who are, generally, employees of the RABs).

The scope of quality assurance visits to members or member firms typically includes:

- an assessment of the member's or member firm's compliance with the relevant RAB's bye-laws, regulations, professional standards and applicable law;
- an assessment of the member's or member firm's internal quality control procedures; and

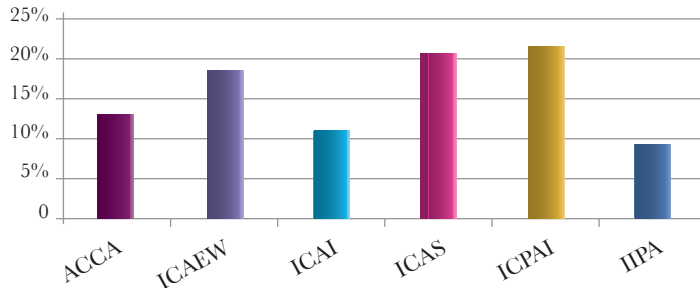
- a substantive review of individual client engagement files for the purposes of assessing, amongst other things, the level of adherence to auditing standards.

Each of the RABs seeks to perform quality assurance reviews to members or member firms by reference to pre-set cycles. The length of cycles varies between the RABs and within the RABs depending on the nature of members' or member firms' client bases (e.g. firms auditing listed clients or clients otherwise regulated would generally tend to be reviewed more frequently than members/member firms not having such clients). In addition it should be noted that the information and statistics provided in this Part may relate to the RABs' total activities in respect of quality assurance and not solely to their activities in respect of Registered Auditors.

Table G.1: Registered Auditors - quality assurance reviews: summary of activities

Year to 31 December 2009	Recognised Accountancy Bodies					
	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Number of quality assurance reviews open at 1 January, 2009	9	94	24	1	0	2
Add: Quality assurance on-site visits carried out during 2009	72	743	102	39	73	10
Less: Quality assurance reviews concluded during 2009	(71)	(757)	(90)	(40)	(72)	(8)
Quality assurance reviews open at 31 December, 2009	10	80	36	0	1	4

Chart G.1: % of on-site visits as a proportion of the total number of Registered Auditors



Note: Chart G.1: As noted in the introduction of Part G the information in this Chart may relate to RABs' total activities in respect of quality assurance and not solely to their activities in respect of 'Registered Auditors' as defined in Part A of this Chapter. For comparison purposes in the case of ICAEW, corporate practices were included in this calculation.

Table G.2: Quality assurance on-site visits during 2009

Year to 31 December 2009	Recognised Accountancy Bodies					
	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Number of expected quality assurance on-site visits to be undertaken in 2009	97	750	-	39	75	10
Number of visits actually undertaken in 2009	72	757	102	39	73	10
<i>Analysis of the reasons for each visit:</i>						
Number of members/firms selected for a visit as part of normal cycle (randomly/routinely)	50	670	11	0	62	7
Number of members/firms specifically selected and visited due to heightened risk (excluding early follow-ups)	0	65	84	39	0	3
Number of members/firms that were visited following a referral from a Committee	1	22	3	0	5	0
Number visited as re-review/early follow-up	21	0	2	0	6	2
Other reason	0	0	2	0	0	0
<i>Analysis of members/firms visited by size</i>						
1 principal	52	286	56	9	52	12
2-5 principals	19	358	43	16	21	0
6-10 principals	0	62	1	10	0	0
11-25 principals	1	30	0	4	0	0
26-50 principals	0	7	2	0	0	0
More than 50 principals	0	14	0	0	0	0

G.3: Registered Auditors – outcome of quality assurance visits: grades

	Recognised Accountancy Bodies					
	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Grades awarded	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6

Note 1: ACCA grades awarded

This Table shows the reasons for, and outcomes of, quality assurance visits carried out by ACCA to firms holding a firms auditing certificate valid in Ireland during 2009.

Visit reason	A/B	C+	C-	D	Total
New/Routine	18	17	4	9	48
Early follow-up (4 years)	3	2	1	2	8
Early follow-up (2 years)	9	-	-	-	9
Investigative	-	-	-	-	-
Committee ordered visit	3	-	-	3	6
Total	33¹	19	5	14	71

¹ – four of these firms had no audit clients

Key to grades awarded: A/B: Good/Satisfactory; C+: Unsatisfactory & improvements required; C-: Unsatisfactory & significant improvements required; D: Regulatory action required (regulatory/disciplinary action).

Note 2: ICAEW grades awarded

Grade	No.
A: No instances of non-compliance or other matters requiring follow-up action.	57
B: Some instances of non-compliance or other matters but the firm's responses adequately address the matters raised and no follow-up action required.	437
C: Some instances of non-compliance or other significant issues and additional detail or evidence of the firm's actions as agreed in its closing meeting required.	140
D4: No conditions or restrictions are proposed but the Committee may wish to impose regulatory penalties or refer to investigations.	16
D3: The 'Quality Assurance Directorate' is recommending conditions be imposed, for which the firm has not volunteered, but are likely to lead to the necessary improvements once imposed.	14
D2: Serious or extensive non-compliance and the firm's responses inadequate. Stringent conditions and restrictions likely to be recommended, to provide a strong framework to monitor the firm's actions. The Committee may warn that it considered withdrawing the firm's audit registration.	50
D1: The 'Quality Assurance Directorate' recommends that the firm's audit registration should be withdrawn.	14
N: Situations where specific Committee requirements cannot be rated in accordance with the specified criteria e.g where a firm wishes to continue with audit registration but does not have any audit clients.	29
Total	757

Note 3: ICAI grades awarded

Grade	No.
A: No breaches recorded and no regulatory action required	2
B: Instances of non-compliance noted but firm has undertaken to address all issues arising and no follow-up action is required.	20
C: Instances of non-compliance noted and the firm has undertaken to take actions that address the issues raised, and follow-up is required.	38
D3: Conditions or restrictions to be imposed, but loss of registration or authorisation not being proposed	17
D2: Serious integrity concerns, flagrant breaches, lack of commitment, progress, competence or failure to comply with previous conditions/restrictions. The Quality Review Committee will be 'minded to withdraw' authorisation or registration. However, it may be possible for the problems to be corrected.	7
D1: Serious integrity concerns, flagrant breaches, lack of commitment, progress, competence or failure to comply with previous conditions/restrictions. Loss of registration or authorisation is proposed.	5
Other: FUP (follow up) visit to determine if audit being conducted	1
Total	90

Note 4: ICAS grades awarded

Grade	No.
A: No instance of non-compliance with the Institute's Audit Regulations.	0
B: Some areas of non-compliance, but they have been adequately addressed by the firm's closing meeting responses.	26
C: Regulatory issues arising and a need for the firm to show that planned changes have occurred.	8
D3: Findings requiring follow-up actions such as imposition of conditions and restrictions.	2
D2: Committee to consider withdrawing audit registration or to impose serious conditions and restrictions.	2
D1: Proposing withdrawal of audit registration.	1
Total	39

Note 5: ICPAI grades awarded

Type of review	A	B	C	D	No Grade	Total
Normal review	32	21	7	1	1	62
Re-review	1	2	2	1	-	6
Committee referral	3	-	2	-	-	5
Total	36	23	11	2	1	73

Explanation of Grades

A No follow up action necessary

B Some follow up required to address particular area of weakness

C Full re-review required, significant areas of weakness or problems

D Immediate referral to Director of Professional Standards or Investigation Committee

Note 6: IIPA Grades awarded

The Monitoring Committee did not place grades on their reports in 2009, grading will be re-introduced in 2010 visits.

Table G.4: Registered Auditors - outcome of quality assurance visits: RABs' actions

Year to 31 December 2009	Recognised Accountancy Bodies					
	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Number who have had their audit registration withdrawn as a result of the findings of a quality assurance review	2	9	3	0	0	0
Number who have had their audit registration suspended as a result of the findings of a quality assurance review	0	0	3	0	0	0
Number referred to an investigations & disciplinary process	0	26	0	0	2	0
Number who have had a follow up on site visit imposed	11	3	2	1	7	0
Number who have had cold file reviews imposed	0	20	22	11	0	0
Number who have had monetary penalties imposed	0	35	5	1	0	0
Number who have had a desk-top review of client files imposed	0	0	0	0	15	0
Number directed to address CPD/training matters	0	34	19	3	0	0
Number directed not to accept further audit appointments	0	53	10	0	0	0
Number directed to resign from a client	0	4	0	0	0	0
Number of other conditions/restrictions	13	247	52	3	0	0

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Financial & related statements

Financial & related statements

Report of the Directors

Introduction

The directors are pleased to submit to the fourth Annual General Meeting of the Irish Auditing and Accounting Supervisory Authority ('IAASA') the Authority's financial statements for the year ended

31 December, 2009, together with the Report of the Directors, which has been prepared pursuant to the provisions of section 158 of the Companies Act 1963 (as amended). The retained surplus for the year was nil.

Directors and Secretary

The Directors and Secretary of the Authority, as at 31 December, 2009, were:

Ms. Karen Erwin	Chairperson, Ministerial nominee
Mr. Ian Drennan	Chief Executive, IAASA
Mr. Paul Appleby	Director of Corporate Enforcement
Ms. Helene Coffey	Nominee of the Law Society
Ms. Marie Daly	Nominee of the Irish Business and Employers' Confederation
Mr. Michael Deasy	Nominee of the Financial Regulator
Mr. Sean Hawkshaw	Nominee of the Irish Association of Investment Managers
Mr. Tony Kelly	Nominee of the Prescribed Accountancy Bodies
Mr. Brendan Kennedy	Nominee of the Pensions Board
Mr. Tadhg O'Connell	Nominee of the Revenue Commissioners
Senator Joe O'Toole	Nominee of the Irish Congress of Trade Unions
Mr. Gerard Scully	Nominee of the Irish Stock Exchange
Mr. Brian Shiels	Ministerial nominee
Secretary	Mr. John G. O'Malley, Head of Legal Services, IAASA

Principal activity

IAASA was incorporated as a company limited by guarantee on 20 December, 2005 for the purpose of discharging the functions and exercising the powers of the Irish Auditing and Accounting Supervisory Authority as provided for by the Companies (Auditing and Accounting) Act 2003. It was subsequently designated for that purpose by the Minister for Trade & Commerce pursuant to the provisions of section 5 of that Act.

Under the Transparency (Directive 2004/109/EC) Regulations, IAASA has also been designated as the competent authority for the purposes of Article 24(4)(h) of the EU Transparency Directive. Accordingly, IAASA is responsible for monitoring the periodic financial reporting of certain entities whose securities are listed on a regulated market in the EU and for taking appropriate enforcement action in cases of infringement.

IAASA does not trade for the acquisition of gain by its members and there were no material changes to the nature of the company's activities during the year.

Risk and uncertainties

The directors confirm that, as required by the Code of Practice for the Governance of State Bodies, a policy and procedures have been developed by the company for the purpose of facilitating the identification, quantification and management of the key business risks facing the Authority and that the aforementioned policy and procedures have been adopted by the Board.

Compliance with Section 90 of the Company Law Enforcement Act 2001

To ensure that proper books and accounting records are maintained in accordance with the requirements of section 202 of the Companies Act 1990, the

Authority has employed an appropriately qualified Head of Finance and utilises appropriate computer software. The books of account are located at the Authority's registered office at Willow House, Millennium Park, Naas, Co. Kildare.

Post Balance Sheet Events

No events have occurred subsequent to the balance sheet date which require disclosure in the financial statements.

Auditor

The Authority's auditor, the Comptroller & Auditor General, remains in office in accordance with the provisions of section 21(2) of the Companies (Auditing and Accounting) Act, 2003.

Approved and authorised for issue by the Board of Directors on 16 June, 2010 and signed on its behalf:

Karen Erwin
Chairperson

Ian Drennan
Chief Executive

Michael Deasy
Chairperson, Audit Committee

Statement on Internal Financial Control

Responsibility for the system of internal financial control

On behalf of the Board of Directors of the Irish Auditing and Accounting Supervisory Authority I acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated.

The system can only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely manner.

Key control procedures

The Board of the Authority has taken steps to ensure an appropriate control environment is in place by:

- clearly defining management responsibilities;
- formalising a clear separation between the Board's and the Executive's functions and powers;
- setting regular reporting requirements concerning financial and related matters;
- establishing an Audit Committee;
- engaging an external firm of accountants to act as providers of an internal audit service to the Authority;
- publishing Codes of Conduct for both directors and employees of the Authority; and
- seeking to maintain a strong culture of accountability across the organisation.

The Board has also established processes to identify and evaluate business risks by:

- identifying the nature, extent and possible implications of the risks facing the Authority, including the extent and categories of risk which it regards as acceptable;
- assessing the likelihood of identified risks coming to fruition;
- assessing the Board's ability to manage and mitigate identified risks; and
- having regard to costs of operating particular controls relative to the benefit obtained.

The system of internal financial control is based on a framework of regular management information, administrative procedures including, to the extent practicable having regard to the scale of the Authority, segregation of duties and a system of delegation and accountability. In particular it includes:

- a comprehensive budgeting system with an annual budget which is reviewed and agreed by the Board;
- regular reviews by the Board of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance; and
- regular internal audit reviews.

The Authority has appointed Deloitte¹⁰⁵ to act as internal auditors and to report to the Audit Committee. The Audit Committee, which comprises

¹⁰⁵ With effect from 1 January, 2010, the Authority has retained the services of Crowleys DFK as internal auditors.

non-executive Directors, includes persons possessing knowledge of accounting, internal control and risk management matters. The Audit Committee is further charged with ensuring that the Board is kept informed of the matters that it has considered.

The internal audit function operates in accordance with the Framework Code of Best Practice set out in the Code of Practice for the Governance of State Bodies. A rolling three-year internal audit work plan has been determined in consultation with the Audit Committee and is reviewed annually and revised as and when required. The current internal audit work plan takes account of areas of potential risk identified in a risk assessment exercise carried out by Deloitte. The internal auditor provides the Committee with regular reports on assignments carried out. These reports, *inter alia*, highlight deficiencies or weaknesses, if any, in the system of internal financial control and the recommended corrective measures to be taken where necessary.

I confirm that, in respect of the period ended 31 December, 2009, the Board conducted a review of the system of internal financial control and that the Board's review was informed by the work of the internal auditor, the Audit Committee, which oversees the work of the internal auditor, and the Authority's executive who have responsibility for the development and maintenance of the financial control framework.

Signed on behalf of the Board:

Karen Erwin
Chairperson

Statement of Directors' Responsibilities

Pursuant to the provisions of section 5 of the Companies (Auditing and Accounting) Act 2003, the Irish Auditing and Accounting Supervisory Authority performs its functions and exercises its powers through a company limited by guarantee, designated for that purpose by the Minister for Trade & Commerce.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of its surplus or deficit for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Authority will continue in operation; and

- disclose and explain any material departures from applicable Accounting Standards.

The directors are responsible for keeping proper books of account, which disclose with reasonable accuracy at any time the financial position of the Authority and to enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2009. The Directors are also responsible for safeguarding the assets of the Authority and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Section 21(1) of the Companies (Auditing and Accounting) Act 2003 further provides that the Authority '*...shall keep records of, and prepare all proper and usual accounts of-*

- a. all income received by it, including the sources,*
- b. all expenditure incurred by it, and*
- c. its assets and liabilities'.*

Approved and authorised for issue by the Board of Directors on 16 June, 2010 and signed on its behalf:

Karen Erwin
Chairperson

Ian Drennan
Chief Executive

Michael Deasy
Chairperson, Audit Committee

Report of the Comptroller and Auditor General for presentation to the Houses of the Oireachtas

I have audited the financial statements of the Irish Auditing and Accounting Supervisory Authority for the year ended 31 December 2009 under the Companies (Auditing and Accounting) Act, 2003.

The financial statements, which have been prepared under the accounting policies set out therein, comprise the Statement of Accounting Policies, the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes.

Respective Responsibilities of the Directors and the Comptroller and Auditor General

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and Generally Accepted Accounting Practice in Ireland are set out in the Statement of Directors' Responsibilities. The Directors are also responsible for ensuring the regularity of transactions.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report my opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland and are properly prepared in accordance with the Companies Acts 1963 to 2009. I also report whether in my opinion proper books of account have been kept by the Company; and whether the information given in the Report of the Directors is consistent with the financial statements. In addition, I state whether I have obtained all the information and explanations necessary for the purposes of my audit, and whether the financial statements are in agreement with the books of account.

I report any material instance where moneys have not been applied for the purposes intended or where

the transactions do not conform to the authorities governing them.

I review whether the Statement on Internal Financial Control reflects the Company's compliance with the Code of Practice for the Governance of State Bodies and report any material instance where it does not do so, or if the statement is misleading or inconsistent with other information of which I am aware from my audit of the financial statements. I am not required to consider whether the Statement on Internal Financial Control covers all financial risks and controls, or to form an opinion on the effectiveness of the risk and control procedures.

I read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and by reference to the special considerations in relation to management and operations which attach to bodies in receipt of substantial funding from the State. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material

misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion, the financial statements:

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Company's affairs at 31 December 2009 and of its income and expenditure for the year then ended; and

- have been properly prepared in accordance with the Companies Acts 1963 to 2009.

I have obtained all the information and explanations that I consider necessary for the purpose of my audit. In my opinion proper books of account have been kept by the Company. The financial statements are in agreement with the books of account.

In my opinion, the information given in the Report of the Directors is consistent with the financial statements.

Gerard Smyth
For and on behalf of the
Comptroller and Auditor General
18 June, 2010

Financial Statements

Statement of accounting policies for the year ended 31 December, 2009

The significant accounting policies adopted by the Authority, which have been applied consistently in dealing with items considered material, are as set out hereunder.

1. Basis of Preparation

The financial statements are prepared in accordance with generally accepted accounting principles under the historical cost convention. Accounting Standards issued by the Accounting Standards Board for use in Ireland are adopted as they become effective.

2. Currency

The unit of currency in which the financial statements are denominated is the euro (€).

3. Recurrent Income

3.1 Approved Programme of Expenditure for the year

Details of the Authority's approved Programme of Expenditure for the period are set out in Note 4.

3.2 Excess Income

In accordance with the provisions of section 16 of the Companies (Auditing and Accounting) Act, 2003 ('the Act'), any excess of income over expenditure in any financial period shall be applied towards meeting the Authority's Programme of Expenditure in the following period and any amounts payable from the Exchequer and Prescribed Accountancy Bodies respectively shall be appropriately reduced. In accordance with section 16 of the Act, income set aside for Reserve Fund¹⁰⁶ purposes is not, however, considered to be income for this purpose.

3.3 Exchequer Grant Income

Section 14(1) of the Act provides that a grant not exceeding 40% of the Authority's approved Programme

of Expenditure for the period shall, subject to any conditions thought proper by the Minister for Trade & Commerce ('the Minister'), be paid to the Authority out of monies provided by the Oireachtas.

Further to the foregoing, the Department of Enterprise, Trade & Employment - the Department through which the Authority receives the Exchequer element of its recurrent funding - has stipulated that the Exchequer grant that will be paid to the Authority in any given financial period will be such as to meet 40% of the Authority's expenditure in that period.

Accordingly, Exchequer grant income recognised in the Income & Expenditure Account represents the amount necessary to meet 40% of the Authority's net recurrent expenditure in the period. Any timing differences arising at the balance sheet date between 40% of the Authority's net expenditure in the period and amounts received from the Exchequer (*via* the Department) are, therefore, reflected as a debtor or grant income carried forward to the following period in accordance with the provisions of section 16 of the Act, as appropriate.

3.4 Prescribed Accountancy Bodies' (PABs) Levies

Sections 14(2) and (4) of the Act provide that, in any given period and with the consent of the Minister, the Authority may impose one or more levies on the PABs for the purpose of meeting up to 60% of the Authority's approved Programme of Expenditure. The aggregate of the PABs' levies are apportioned on the basis of criteria submitted to, and approved by, the Minister under section 14(4) of the Act.

Given that, once approved by the Minister, statutory levies imposed on, and receivable from, the PABs are designed to meet 60% of the Authority's expenditure in the period, PAB levy income recognised in the Income & Expenditure Account represents the amount necessary to meet 60% of the Authority's net

¹⁰⁶ As detailed in Accounting Policy 4.

recurrent expenditure in the period. Accordingly, any differences arising at the balance sheet date between 60% of the Authority's net expenditure in the period and the aggregate of levies received from the PABs are reflected as debtors or levy income carried forward to the following period in accordance with the provisions of section 16 of the Act, as appropriate.

4. Reserve Fund Income

4.1 Reserve Fund – Purpose and method of funding

Section 15(1) of the Act provides that the Authority shall establish a Reserve Fund, to be used only for the purposes of performing its functions or exercising its powers under sections 24 and 26.

With the consent of the Minister, the Authority has built a Reserve Fund of €250,000 (plus accrued interest) collected and set aside for Reserve Fund purposes during periods ending 31 December, 2007. No such income was collectable in the year ended 31 December, 2009. Pursuant to the provisions of section 15(1)(b) of the Act, the Reserve Fund is funded as follows:

- 60% by way of a Reserve Fund levy on the PABs; and
- 40% by way of an Exchequer Grant.

4.2 Exchequer Grant Income – Reserve Fund

The Department has stipulated that the Exchequer grant that will be paid to the Authority in any given financial period will be such as to meet 40% of the amount to be set aside for Reserve Fund purposes in that period, as approved by the Minister. Exchequer Reserve Fund income is accounted for in the financial statements on a receivable basis.

4.3. PABs' Levies – Reserve Fund

The aggregate of the PABs' Reserve Fund levies are

apportioned on the basis of criteria submitted to, and approved by, the Minister under section 14 of the Act. Once approved by the Minister, the PABs' Reserve Fund levies are accounted for on a receivable basis.

5. Income relating to the Authority's role as a Competent Authority for the purpose of Article 24(4)(h) of the EU Transparency Directive

5.1 Transparency Directive – Purpose and method of funding

The Transparency Directive ((EC) 2004/109) is concerned with the harmonisation of information requirements applying to issuers whose securities have been admitted to trading on a regulated market situated, or operating, within the EU. The Directive has been implemented in Ireland through a combination of primary¹⁰⁷ and secondary¹⁰⁸ legislation. IAASA has been designated by the Minister as a competent authority for the purposes of Article 24(4)(h) of the Directive, which concerns monitoring the compliance of issuers' periodic financial reports.

5.2 Exchequer Grant Income – Transparency Directive

As is the case with the Authority's other sources of Exchequer income, the amount provided by the Exchequer is such as to meet the amount expended in the period. Transparency Directive income is accounted for in the financial statements on a receivable basis.

6. Lease on Authority premises

Rents due under the lease are paid to the lessor by the Office of Public Works and are recouped from the Authority on a quarterly basis by agreement. Rents are charged to the Income & Expenditure Account in the period to which they relate.

¹⁰⁷ The Investment Funds, Companies and Miscellaneous Provisions Act 2006.

¹⁰⁸ Statutory Instrument 277 of 2007: Transparency (Directive 2004/109/EC) Regulations 2007.

7. Superannuation

The interim arrangements that the Authority has in place with regard to employees' superannuation benefits are described in Note 21. On foot of those arrangements, the Authority charges employer superannuation contributions payable to the Department to the Income & Expenditure Account in the period to which they relate.

8. Tangible Fixed Assets

Tangible Fixed Assets are carried in the balance sheet at cost less accumulated depreciation. Depreciation is charged to the Income & Expenditure Account on a straight line basis, with the charge being calculated over assets' expected useful lives at the following rates:

IT Equipment 33 $\frac{1}{3}$ %

Office Equipment 20%

Furniture & Fittings 12 $\frac{1}{2}$ %

9. Stocks

Stocks on hand at period end represent stocks of ICT and office consumables and are valued at cost.

10. Capital Account

The Capital Account represents the unamortised value of income used for capital purposes (i.e. asset acquisitions).

Irish Auditing & Accounting Supervisory Authority

Income & Expenditure Account for the year ended 31 December, 2009

	Note	2009 €	2008 €
Income	4	2,123,172	1,966,271
Administrative Expenses			
Staff Costs	5	1,268,505	1,121,177
Directors' Fees	5(a)	89,185	104,000
Accommodation	6	169,721	177,514
Travel & Subsistence		44,215	67,022
Consultancy	7	385,240	238,834
Office Expenditure	8	70,383	145,814
Official Entertainment		1,963	3,533
Information Technology	9	18,468	33,643
HR & Professional Development	10	42,575	47,214
Insurance		26,134	25,232
Auditors' Remuneration		11,280	12,000
Depreciation	11	6,279	5,157
(Deficit) of Income over Administrative Expenses		(10,776)	(14,869)
Interest Receivable	16(a)	10,860	26,154
Surplus for the year before Deposit Interest Retention Tax		84	11,285
Deposit Interest Retention Tax	12	(2,835)	(5,231)
Deficit/Surplus for the year after Deposit Interest Retention Tax		(2,751)	6,054
Transferred from Capital Account	15	4,557	502
Transferred to Reserve Fund	16	(1,806)	(6,556)
Surplus for the year after Transfers		0	0

The results for the year relate to continuing operations.

The Statement of Accounting Policies, Cash Flow Statement and Notes 1 to 24 form part of these financial statements.

The Authority had no gains or losses in the year other than those dealt with in the Income & Expenditure Account.

Approved and authorised for issue by the Board of Directors on 16 June, 2010 and signed on its behalf:

Karen Erwin
Chairperson

Ian Drennan
Chief Executive

Michael Deasy
Chairperson, Audit Committee

Irish Auditing & Accounting Supervisory Authority

Balance Sheet as at 31 December, 2009

	Note	2009 €	2008 €
Fixed Assets			
Tangible Fixed Assets	11	4,260	8,817
Current Assets			
Stock on Hand		1,693	2,787
Exchequer Grant Income Debtor	4.5	-	4,604
Debtors & Prepayments		18,412	21,854
Bank & Cash	13	719,255	741,396
		<u>739,360</u>	<u>770,641</u>
Creditors: Amounts falling due within 1 year			
Creditors & Accruals		128,084	121,174
Deferred Rent Incentive	14	1,452	1,452
PAB Levy Income Carried Forward	4.5	314,010	360,847
Exchequer Grant Income Carried forward	4.5	8,292	-
		<u>451,838</u>	<u>483,473</u>
Net Current Assets		287,522	287,168
Amounts falling due after 1 year			
Deferred Rent Incentive	14	21,844	23,296
Net Assets		<u>269,938</u>	<u>272,689</u>
Reserves			
Income & Expenditure Account			
Capital Account	15	4,260	8,817
Reserve Fund	16	265,678	263,872
		<u>269,938</u>	<u>272,689</u>

The Statement of Accounting Policies, Cash Flow Statement and Notes 1 to 24 form part of these financial statements.

Approved and authorised for issue by the Board of Directors on 16 June, 2010 and signed on its behalf:

Karen Erwin
Chairperson

Ian Drennan
Chief Executive

Michael Deasy
Chairperson, Audit Committee

Irish Auditing & Accounting Supervisory Authority

Cash Flow Statement for the year ended 31 December, 2009

	Note	2009 €	2008 €
Net Cash (Outflow)/Inflow from Operating Activities	17	(27,532)	7,525
Return on Investments & Servicing of Finance			
Interest Received		9,483	27,185
Capital Expenditure			
Payments to Acquire Tangible Fixed Assets		(1,722)	(4,655)
Taxation			
Deposit Interest Retention Tax (DIRT) Paid		(2,370)	(5,437)
Management of Liquid Resources			
Amounts Transferred from Fixed Term Deposits		100,000	-
Interest Reinvested in Fixed Term Deposits (Net of DIRT)		(7,113)	(21,748)
Increase in Cash in Year		70,746	2,870
Reconciliation of Net Cash Flow to Movement in Net Funds			
Net cash & liquid resources at 1 January		(741,396)	(716,778)
Net cash & liquid resources at 31 December		719,255	741,396
Decrease/(Increase) in Liquid Resources in Year		92,887	(21,748)
Increase in Cash in Year	18	70,746	2,870

The Statement of Accounting Policies and Notes 1 to 24 form part of these financial statements.

Approved and authorised for issue by the Board of Directors on 16 June, 2010 and signed on its behalf:

Karen Erwin
Chairperson

Ian Drennan
Chief Executive

Michael Deasy
Chairperson, Audit Committee

Irish Auditing & Accounting Supervisory Authority

Notes to Financial Statements

Note 1 - Accounting period

Pursuant to the provisions of section 5 of the Companies (Auditing and Accounting) Act, 2003 ('the Act'), the functions and powers of the Supervisory Authority are performed and exercised respectively through a company limited by guarantee and designated by the Minister for Trade & Commerce ('the Minister') for that purpose. The company (Registered No. 412677) was incorporated on 20 December, 2005. (While the Act refers to the Minister for Enterprise, Trade & Employment, the Government has delegated all Ministerial functions provided for by the Act to the Minister for Trade & Commerce. This delegation was effected by the Enterprise, Trade & Employment (Delegation of Ministerial Functions) (No. 3) Order 2009).

The period covered by the financial statements is the year ended 31 December, 2009.

Note 2 - Comparatives

The comparative figures refer to the year ended 31 December, 2008.

Note 3 - Format of the financial statements

As the company does not trade for the acquisition of gain by its members, the provisions of the Companies (Amendment) Act, 1986 as regards, *inter alia*, required formats for financial statements do not apply to the company. Notwithstanding the foregoing, the Authority's Balance Sheet is presented in accordance with Format 1 as set out in the Schedule to the Act and the Income & Expenditure Account is presented, to the extent practicable having regard to the non-commercial nature of the Authority's activities, in accordance with Format 1 as set out in the Schedule to the Act.

Note 4 - Income

4.1 Approved Programme of Expenditure

The Authority's Programme of Expenditure for the year, as approved by the Minister under section 13(4) of the Act was €2,259,000 [2008: €2,343,000] as laid out below. In addition, Exchequer funding to a maximum of €440,000 [2008: €212,000] was made available during the year in respect of the Authority's functions under Article 24(4)(h) of the EU Directive 2004/109/EC - ('Transparency Directive')

	Exchequer (40%)	Prescribed Accountancy Bodies (60%)	Total
	€	€	€
Recurrent Expenditure (as approved under S. 13(4) of the Act)	904,000	1,355,000	2,259,000
Reserve Fund	-	-	-
Sub-total	904,000	1,355,000	2,259,000
Approved allocation in respect of Transparency Directive	440,000	-	440,000
Total	1,344,000	1,355,000	2,699,000

4.2 Income (Accounting Policies 3, 4 and 5 refer)

	2009	2008
	€	€
<i>Recurrent Income under the Act (Note 4.4)</i>		
Exchequer Grant Income	674,557	704,275
Prescribed Accountancy Bodies' Levies	1,041,837	1,056,413
	<u>1,736,394</u>	<u>1,760,688</u>
<i>*Reserve Fund Income</i>		
Exchequer Grant Income	-	-
Prescribed Accountancy Bodies' Levies	-	-
	<u>-</u>	<u>-</u>
<i>Income in respect of Transparency Directive Activity (Note 4.4)</i>		
Exchequer Grant Income	386,778	203,860
Prescribed Accountancy Bodies' Levies	-	-
	<u>386,778</u>	<u>203,860</u>
<i>Miscellaneous Income</i>		
EU Refunds in respect of travel expenses	-	1,723
	<u>-</u>	<u>1,723</u>
	<u>2,123,172</u>	<u>1,966,271</u>

* Interest earned on the Reserve Fund investment account is detailed at Note 16. For the year under review, gross interest on the Reserve Fund account is disclosed as 'Interest Receivable' rather than 'income' as heretofore on the face of the Income & Expenditure account. The comparative amounts in respect of 2008 have been amended accordingly

4.3 Stipulations regarding the use of income

In accordance with section 14(3) of the Act, recurrent income received by the Authority is for the purpose of meeting expenses properly incurred in the performance of its functions and the exercise of its powers under the Act (other than under sections 24 and 26).

In accordance with section 14(3)(a), Reserve Fund monies may only be used for the purposes of meeting expenses properly incurred by the Authority in performing its functions and exercising its powers under sections 24 and 26. The Authority did not have cause to call upon the monies set aside for Reserve Fund purposes during the year.

In accordance with Department of Enterprise, Trade & Employment sanction (under Vote Subhead S02), monies received in respect of the Transparency Directive may only be used towards the performance of the Authority's responsibilities in that regard.

4.4 - Calculation of Net Expenditure

	2009	2008
	€	€
Gross Expenditure per Income & Expenditure Account	2,133,949	1,981,140
Add: Unamortised value of income used for capital acquisitions	(4,557)	(502)
	<u>2,129,392</u>	<u>1,980,638</u>
Less:		
Miscellaneous Income	-	1,723
Non-reserve fund interest (net of DIRT)	6,220	14,367
Net Expenditure for the year	<u>2,123,172</u>	<u>1,964,548</u>
Net Expenditure related to Transparency Directive obligations	386,778	203,860
Net Expenditure related to Activities under the 2003 Act (Note 4.2)	1,736,394	1,760,688
	<u>2,123,172</u>	<u>1,964,548</u>
Net expenditure attributable to the Exchequer		
i. Transparency Directive (100%)	386,778	203,860
ii. Obligations under the Act (40%)	694,557	704,275
Net expenditure attributable to the Prescribed Accountancy Bodies	1,041,837	1,056,413
	<u>2,123,172</u>	<u>1,964,548</u>

4.5 - Calculation of Grant Debtor / Levy Carry Forward

	Exchequer	Prescribed Accountancy Bodies	Total
	€	€	€
Balance at 1 January, 2009	4,603	(360,847)	(356,244)
Attributable net expenditure (Note 4.4 refers)	1,081,335	1,041,837	2,123,172
Grants/Levies received in the year	(1,094,230)	(995,000)	(2,089,230)
Debtor/(Levy Carry Forward) at 31 December, 2009	<u>(8,292)</u>	<u>(314,010)</u>	<u>(322,302)</u>

Note 5 - Staff Costs

	2009	2008
	€	€
Salaries	976,588	868,665
Employer PRSI Contributions	82,310	80,507
Employer Pension Contributions (Note 21)	209,607	172,005
	<u>1,268,505</u>	<u>1,121,177</u>

The total amount deducted from staff members in respect of the Pension Related Deduction pursuant to the Financial Emergency Measures in the Public Interest Act, 2009 was €60,950 [2008: n/a].

The average number of employees during the year was 12 [2008: 11]. The Authority's complement of full time staff at 31 December, 2009 was 12 [2008: 12].

Note 5(a) - Board Fees

Fees are payable to Board members at a rate specified from time to time by the Minister for Finance. In accordance with Department of Finance regulations and the Code of Practice for the Governance of State Bodies, fees are not payable to certain Board members who are also public servants.

	2009	2008
	€	€
Karen Erwin	13,067	14,000
Helene Coffey	8,400	9,000
Marie Daly	8,400	9,000
Ian Drennan	8,400	9,000
Sean Hawkshaw	8,400	9,000
Tony Kelly	8,400	9,000
Brendan Kennedy	8,400	9,000
Donal O'Connor (resigned 21 January, 2009)	518	9,000
Senator Joe O'Toole	8,400	9,000
Gerard Scully	8,400	9,000
Brian Shiels	8,400	9,000
David Martin (resigned 3 January, 2009)	-	9,000
	89,185	104,000

In addition, a total of €232 was paid to Board members during the year in respect of expenditure incurred in the course of their duties.

Note 6 - Accommodation

	2009	2008
	€	€
Rent (<i>Note 14</i>)	117,711	117,711
Building Service Charges	16,684	18,594
Millennium Park Service Charges	8,739	8,703
Insurance	914	2,102
Rates	19,014	18,678
Rent - temporary offices	(1,907)	-
Other Room Hire	8,566	11,726
	169,721	177,514

Note 7 - Consultancy

	2009	2008
	€	€
Financial statement review (Transparency Directive)	179,371	110,996
Committees of Enquiry - Section 23	84,895	-
Legal Advice	75,513	81,486
Internal Audit & Actuarial Services	35,511	34,550
Recruitment & recruitment related costs	-	6,715
PR Consultancy	2,533	3,938
Other Consultancy	7,417	1,149
	385,240	238,834

Note 8 - Office Expenses

	2009	2008
	€	€
Post & Telecommunications	14,694	17,651
Printing & Stationery	20,017	24,261
Repairs & Maintenance	6,965	4,346
Advertising & Publicity	7,104	19,502
Recruitment related advertising	-	55,986
Periodicals & Newspapers	5,613	5,725
Cleaning & Hygiene Services	7,072	7,149
Light & Heat	8,090	9,709
Sundries	829	1,485
	70,383	145,814

Note 9 - Information Technology

	2009	2008
	€	€
Software & Licences	2,741	14,187
Peripherals & Consumables	3,530	2,140
Maintenance Contracts	7,584	11,207
Internet Services	3,076	3,547
Website Development	1,537	2,562
	18,468	33,643

Note 10 - HR & Professional Development

	2009	2008
	€	€
Continuing Professional Development & Other Professional Training	14,472	24,821
Reference Materials & Subscriptions	5,376	8,770
Educational Support	7,000	-
Professional Membership Subscriptions	15,727	13,623
	42,575	47,214

Note 11 - Tangible Fixed Assets

	IT Equipment 33.33%	Office Equipment 20.00%	Furniture & Fittings 12.50%	Total
	€	€	€	€
Cost				
At 1 January, 2009	15,099	4,417	248	19,765
Additions	1,069	653	-	1,722
Disposals	-	-	-	-
At 31 December, 2009	16,168	5,070	248	21,486
Accumulated Depreciation				
At 1 January, 2009	8,786	2,099	62	10,947
Charge for year	5,234	1,014	31	6,279
At 31 December, 2009	14,020	3,113	93	17,226
NET BOOK VALUE				
At 1 January, 2009	6,313	2,318	186	8,817
At 31 December, 2009	2,148	1,957	155	4,260

Note 12 - Taxation*Income Tax*

In accordance with the provisions of section 227 of the Taxes Consolidation Act, 1997 and the Fourth Schedule to that Act (as amended by section 69(1)(b) of the Finance Act, 2006), the Authority is a non-commercial state-sponsored body for tax purposes and, accordingly, income arising is not liable to income tax. The Authority is not, however, exempt from Deposit Interest Retention Tax (DIRT).

Capital Gains Tax

In accordance with the provisions of section 610 of the Taxes Consolidation Act, 1997 and the Fifteenth Schedule to that Act (as amended by section 74(c) of the Finance Act, 2006), gains accruing to the Authority are not chargeable gains for the purposes of Capital Gains Tax.

Note 13 - Bank & Cash

	2009	2008
	€	€
Bank – current	161,534	90,788
Bank - notice deposit	557,521	650,408
Cash on Hand	200	200
	719,255	741,396

€263,610 [2008: €261,970] of the funds held in the Authority's bank accounts at 31 December, 2009 relate to the Reserve Fund and can only be used for the purposes as set out in Note 4.3.

Note 14 - Lease of Accommodation, Deferred Rent Incentive & Establishment Costs

The Authority occupies office premises located at Willow House, Millennium Park, Naas, Co. Kildare. At the date that the lease agreement was executed the Authority had not been incorporated as a legal entity and, accordingly, did not have the capacity to enter into a legal agreement. In that context, the lease was entered into on behalf of the State by the Office of Public Works (OPW). Consequently, the Authority is not a party to the lease agreement, which commenced on 19 September, 2005 and which has a term of 20 years.

Under the lease agreement, the first six months of the lease period were rent free and the Authority benefited from a portion of the rent free period i.e., the period between the date of incorporation (20 December, 2005) and the date on which the rent incentive ceased to apply (18 March, 2006). In accordance with the provisions of UITF Abstract No. 28 '*Operating Lease Incentives*', the value of the incentive (i.e. the rent free period) enjoyed by the Authority has been spread across the life of the lease. This treatment has resulted in a charge of €27,652 in the financial statements at the date of incorporation and a corresponding deferred rent incentive, which will be released to the Income & Expenditure Account over the period of the lease.

Further to a commitment given to the Prescribed Accountancy Bodies by the Minister with the consent of the Minister for Finance prior to the Authority's incorporation, the Exchequer funded the Authority's establishment costs in full. This expenditure was incurred by the Department of Enterprise, Trade & Employment.

As a consequence, in addition to tangible fixed assets acquired by the Authority subsequent to its incorporation, and to which the Authority has legal title, the Authority also has the use of certain assets that were acquired by the Department of Enterprise, Trade & Employment prior to its incorporation and to which the Department has legal title. The nature and acquisition cost of these assets is set out hereunder for information.

	€
Fit out costs – Millennium Park premises	507,127
Furniture and fittings	147,415
IT equipment	60,539
Total	715,081

The notional Net-Book Value of these assets at the balance sheet date, had they been depreciated in accordance with IAASA policies, would be €236,470 [2008: €318,651].

Note 15 - Capital Account

	2009	2008
	€	€
Opening Balance - 1 January,	8,817	9,319
Transfer from Income & Expenditure Account:		
Income applied to capitalised asset acquisitions	1,722	4,655
Less: Amortisation in line with asset depreciation	(6,279)	(5,157)
Closing Balance - 31 December,	4,260	8,817

Note 16 - Reserve Fund Reserve

	2009	2008
	€	€
Opening Balance - 1 January,	263,872	257,316
Transferred from Income & Expenditure Account:		
Exchequer Grant Income	-	-
Prescribed Accountancy Bodies' Levies	-	-
Interest Receivable on Reserve Fund Monies (net of DIRT)	1,806	6,556
Closing Balance - 31 December,	265,678	263,872

Note 16(a) - Interest receivable on Reserve Fund monies

Up to 2008 the Authority included gross interest receivable on Reserve Fund monies as income, as expenditure of these monies is strictly limited as detailed in Note 4.3 above and consequently largely outside the discretion of the Board. In 2009, the directors have decided to treat interested receivable on this account as general interest receivable in the first instance. This technical recording change has led to the following changes in the comparative amounts for 2008:

	As published	Gross interest receivable 2008	as amended
Income	1,974,466	(8,195)	1,966,271
Interested receivable	17,959	8,195	26,154

Note 17 - Reconciliation of Surplus for the year to Net Cash from Operating Activities

	2009	2008
	€	€
Deficit/Surplus for the year after Deposit Interest Retention Tax	(2,751)	6,054
Non Operating Items		
Less: Interest Received (Net of DIRT)	(7,113)	(21,748)
	(9,864)	(15,694)
Add:		
Increase/(Decrease) in Creditors & Accruals	(6,910)	27,091
Increase/(Decrease) in PABs' Levies carry forward	(46,837)	(82,413)
Increase/(Decrease) in Exchequer Grant Income carry forward	8,292	-
Decrease/(Increase) in Debtors & Prepayments	8,046	74,058
Decrease/(Increase) in Stock	1,094	778
Increase/(Decrease) in Deferred Rent Incentive	(1,452)	(1,452)
Depreciation	6,279	5,157
	(17,668)	23,219
Net Cash (Outflow)/Inflow from Operating Activities	(27,532)	7,525

Note 18 - Analysis of changes in net funds

	Cash at Bank & on Hand	Cash on Fixed Term Deposit	TOTAL
Balance at 1 January, 2009	90,988	650,408	741,396
Cash flow for year	70,746	(92,887)	(22,141)
Balance at 31 December, 2009	161,734	557,521	719,255

Note 19 - Financial Commitments*19.1 Capital Commitments*

There are no capital commitments as at 31 December, 2009.

19.2 Rental commitments

Given that the Authority is not a party to the lease of the Millennium Park premises, the Authority has no rental commitments in the coming twelve months. Rental commitments under the lease in the coming twelve months, which are payable by the OPW, will be €119,163.

Note 20 - Chief Executive's Salary

The remuneration paid to the Chief Executive in the year amounted to €138,262, comprising basic pay of €129,304 and part-payment of a Performance Related Bonus of €8,958. The latter payment represents 50% of the amount awarded, the balance having been voluntarily forgone. In addition, and in accordance with the provisions of the Code of Practice for the Governance of State Bodies, the Chief Executive received Board fees as detailed in Note 5(a) above. The foregoing represents the total remuneration package of the Chief Executive. The Chief Executive is a member of the Civil Service Superannuation Scheme and, consequently, in the context of the superannuation arrangements detailed in Note 21, the Authority bears no liability in this regard.

Note 21 - Accounting Treatment for Retirement Benefits

In accordance with section 20 of the Act, the Authority may only establish a superannuation scheme with the approval of the Minister, given with the consent of the Minister for Finance. While the Authority has prepared and submitted proposals to the aforementioned Ministers in respect of employees and employees' spouses and children (which are based upon the civil service defined benefit 'Model Scheme'), these schemes had not been approved at the balance sheet date (or by the date on which these financial statements were approved by the directors).

As completion of the necessary reviews of proposals for superannuation schemes can be a lengthy process, the Authority has agreed certain interim measures with the Department of Enterprise, Trade & Employment. In that context, the Department has been granted approval by the Department of Finance to operate superannuation arrangements on the Authority's behalf on an administrative basis. These interim arrangements have the following characteristics:

- i. Authority employees' pension contributions are paid to the Department of Enterprise, Trade & Employment;
- ii. the Authority pays an employer contribution to the Department, the rate of which is set by the Minister for Finance. In the year, the employer contribution was set at 25% [2008: 25%] of employees' salaries;
- iii. in return for the payment to it of the employees' and employer's superannuation contributions, the Department has agreed that any superannuation benefits due to Authority employees, and/or their spouses and children will be met in full by the Exchequer as they fall due.
- iv. this agreement is an interim arrangement until the Authority's own superannuation scheme is approved and is intended to apply to benefits earned by employees only during the period prior to approval.

Financial Reporting Standard 17 '*Retirement Benefits*' (FRS 17) defines a Defined Contribution Scheme as '*A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior years*'.

As the arrangements currently in place are such that (i) the Authority pays regular contributions fixed as a percentage of pay; and (ii) the Authority, by virtue of the Exchequer undertaking, has no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current or prior years, the directors consider that the foregoing arrangements come within the definition of a defined contribution scheme as defined by FRS 17. Accordingly, the Authority accounts for its employer contributions in accordance with the provisions of paragraph 7 of the Standard, i.e. by charging the cost of contributions payable to the scheme in the year to the Income & Expenditure Account.

Notwithstanding the foregoing, in the interest of transparency and disclosure, the directors have commissioned an actuarial valuation of accrued liabilities at the balance sheet date, and the cost of benefits (service cost) accrued during the year. This valuation, which is based on the Projected Unit method, is premised on the following assumptions:

	At 31-12-2009	At 31-12-2008
Rate of increase in salaries	4.00%	4.00%
Rate of increase in pensions in payment	3.50%	4.00%
Discount rate	5.50%	5.90%
Inflation assumption	2.25%	2.00%
Life expectancy at age 70: male	17.4 years	17.4 years
Life expectancy at age 70: female	20.3 years	20.3 years

Based on the above, the present value of liabilities at the balance sheet date is €354,000 [2008: €219,000], and the service cost (calculated on the foregoing assumptions) for the year is €91,100 [2008: €97,052]. Certain of the Authority's staff, who have accumulated service elsewhere in the public service, have not to date exercised the option to transfer said service to the Authority.

Note 22 - Authority Board Members – Disclosure of Transactions

In accordance with the Code of Practice for the Governance of State Bodies, the Authority has in place Codes of Business Conduct for Board members and employees. These Codes include guidance in relation to the disclosure of interests by Board members and these procedures have been adhered to by the Board during the year covered by these financial statements.

Note 23 - Related Party Transactions

There were no related party transactions during the year [2008: €5,142]. No amounts were outstanding at year end.

Note 24 - Approval of the Financial Statements

The Financial Statements were approved and authorised for issue by the Board of Directors on 16 June, 2010.

Appendix

Presentations delivered by Authority staff during 2009

Topic	Forum/Audience	Presenter	Date
IAASA's role in supporting and enhancing market confidence through regulatory and compliance oversight	Association of Compliance Officers in Ireland (ACOI)	Ian Drennan, Chief Executive	January, 2009
IAASA's financial reporting supervision role	PricewaterhouseCoopers	Michael Kavanagh, Head of Financial Reporting Supervision and Maurice Barrett, Project Manager, Financial Reporting Supervision	January, 2009
The role of IAASA in accounting regulation in Ireland	Masters in Accounting students, National University of Ireland, Galway	Eileen Townsend, Project Manager, Financial Reporting Supervision	March, 2009
Regulatory reform in the Irish economy	Public Affairs Ireland Conference	Ian Drennan, Chief Executive	September, 2009
Overview of IAASA's principal functions and powers	Staff of the Financial Regulator	Michael Kavanagh, Head of Financial Reporting Supervision and Helen Hall, Head of Regulatory and Monitoring Supervision	September, 2009
Accounting regulation in Ireland	MBS in Accounting students, Dublin City University	Eileen Townsend, Project Manager, Financial Reporting Supervision	October, 2009
The future of Irish GAAP	CCAB-I sponsored seminar	Michael Kavanagh, Head of Financial Reporting Supervision	December, 2009

Articles authored by Authority staff during 2009

Article Details	Author
'Taking stock of the new', AB Accounting and Business, ACCA, October 2009, Issue 10, pp. 35-38	Michael Kavanagh, Head of Financial Reporting Supervision
'Future of Irish/UK GAAP', Accountancy Plus, CPA, December 2009, Issue 4, pp. 17-18	Michael Kavanagh, Head of Financial Reporting Supervision

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The background is a solid blue color with a gradient from dark blue at the top to light blue at the bottom. On the left side, there are several overlapping, curved, abstract shapes in various shades of blue, creating a dynamic, flowing effect.

Glossary of terms

Glossary of terms

ACCA	Association of Chartered Certified Accountants
Act, the	Companies (Auditing and Accounting) Act 2003
AIA	Association of International Accountants
AIB	Allied Irish Banks plc
Anglo	Anglo Irish Bank Corporation Limited / Anglo Irish Bank Corporation plc
APB	Auditing Practices Board
ASB	Accounting Standards Board
ASB Statement	ASB Statement entitled ' <i>Half-Yearly Financial Reports</i> '
Authority, the / IAASA	Irish Auditing & Accounting Supervisory Authority
BoI	The Governor and Company of the Bank of Ireland
CCAB-I	Consultative Committee of Accountancy Bodies – Ireland
CESR	Committee of European Securities Regulators
CIMA	Chartered Institute of Management Accountants
CIPFA	Chartered Institute of Public Finance & Accountancy
CLEA	Company Law Enforcement Act 2001
CLRG	Company Law Review Group
Code, the	Code of Practice for the Governance of State Bodies
Complaint	As used in Chapter 3 - includes any expression of dissatisfaction with accounting related services and/or the regulation of members/member firms by the PABs, whether communicated to the Authority by members of the public or otherwise
Constitutional documents	Refers to the PABs' Charters, Memoranda & Articles of Association, Bye-laws, Rules, Regulations, Codes and Standards

Covered institutions

- Allied Irish Banks, plc. and its subsidiaries AIB Mortgage Bank, AIB Bank (CI) Limited, AIB Group (UK) plc and Allied Irish Banks North America Inc.;
- Anglo Irish Bank Corporation plc and its subsidiary Anglo Irish Bank Corporation (International) plc;
- The Governor and Company of the Bank of Ireland and its subsidiaries Bank of Ireland Mortgage Bank, ICS Building Society and Bank of Ireland (IOM) Limited;
- EBS Building Society and its subsidiary EBS Mortgage Finance;
- Irish Life & Permanent plc and its subsidiary Irish Permanent (IOM) Limited;
- Irish Nationwide Building Society and its subsidiary Irish Nationwide (IOM) Limited; and
- Postbank Ireland Limited.

CPD	Continuing Professional Development
CRO	Companies Registration Office
Decision, the	Commission Decision of 29 July, 2008 concerning a transitional period for audit activities of certain third country auditors and audit entities (2008/627/EC)
EC	Enquiry Committee (section 23)
EEA	European Economic Area
EECS	European Enforcers' Co-ordination Sessions
EU	European Union
EGAOB	European Group of Auditors' Oversight Bodies
EPS	Earnings Per Share
FRS	Financial Reporting Standard(s)
FRS 1	Cash flow statements

FRS 3	Reporting financial performance
FRS 8	Related party disclosures
FRS 17	Retirement benefits
FRS 18	Accounting policies
FRS 21	(IAS 10) Events after the balance sheet date
FRS 25	(IAS 32) Financial instruments: Presentation
FRS 26	(IAS 39) Financial instruments: recognition and measurement
FRS 29	(IFRS 7) Financial instruments: disclosures
FRSSE	Financial Reporting Standard for Smaller Entities
FY	Annual Financial Report
GAAP	Generally Accepted Accounting Principles
HY	Half-year Financial Report
IAS	International Accounting Standard(s)
IAS 1	Presentation of Financial Statements
IAS 7	Statement of Cash Flows
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Reporting Period
IAS 19	Employee Benefits
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 24	Related Party Disclosures
IAS 27	Consolidated and Separate Financial Statements

IAS 32	Financial Instruments: Presentation
IAS 34	Interim Financial Reporting
IAS 39	Financial Instruments: Recognition and Measurement
IASB	International Accounting Standards Board
IBEC	Irish Business and Employers' Confederation
IBNR	Incurred But Not Reported
IEX	Irish Enterprise Exchange
ICAEW	Institute of Chartered Accountants in England & Wales
ICAI	Institute of Chartered Accountants in Ireland
ICAS	Institute of Chartered Accountants of Scotland
ICPAI	Institute of Certified Public Accountants in Ireland
IFIAR	International Forum of Independent Audit Regulators
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IFRS 3	Business Combinations
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IIPA	Institute of Incorporated Public Accountants
ILA	Irish Life Assurance plc
IL&P	Irish Life & Permanent plc
ISE	Irish Stock Exchange
Issuer	An entity coming within the Authority's remit under the Transparency Regulations

Minister	Minister for Trade & Commerce
NAMA	National Asset Management Agency
NAV	Net Asset Value
NPRFC	National Pensions Reserve Fund Commission
ODCE	Office of the Director of Corporate Enforcement
Oireachtas	Parliament
PAB	Prescribed Accountancy Body
PCAOB	Public Company Accounting Oversight Board (US)
PEC	Preliminary Enquiry Committee (section 23)
Periodic Financial Reports	Refers collectively to annual and half-yearly financial reports published pursuant to the Transparency Regulations
PQ	Parliamentary Question
RAB	Recognised Accountancy Body
Regulator, the	Financial Regulator
Relevant covered institutions	Allied Irish Banks plc, Anglo Irish Bank Corporation Limited, Bank of Ireland and Irish Life & Permanent plc
Section 23 Regulations	Companies (Auditing and Accounting) Act, 2003 (Procedures Governing The Conduct of Section 23 Enquiries) Regulations 2007 (S.I. No. 667 of 2007)
S.I.	Statutory Instrument
SMEs	Small & Medium-sized Entities
Statutory Audit Directive	Directive 2006/43/EC
Transitional Regulations	European Communities (Transitional Period Measures in Respect of Third Country Auditors) Regulations 2009 (Statutory Instrument 229 of 2009).
Transparency Directive	Directive 2004/109/EC

Transparency Regulations, the	Transparency (Directive 2004/109/EC) Regulations, 2007
Transparency Rules	Transparency Rules, as issued by the Financial Regulator
1990 Act, the	Companies Act 1990



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