



## **PRESS STATEMENT – FOR IMMEDIATE RELEASE**

### **2010 ANNUAL REPORT**

#### ***‘IAASA sets out vision for independent audit inspection’***

The Irish Auditing & Accounting Supervisory Authority (‘IAASA’) has today published its Annual Report for 2010. Marking the publication of the report, Chairperson, Ms. Karen Erwin, said:

*‘In the wake of the global financial crisis the role of audit is being examined both at European level and internationally. In an EU context the European Commission has initiated a wide ranging review of the European audit market with a view to examining and bringing forward proposals in areas including audit scope, auditors’ independence, how audit quality might be further enhanced and how audit reports might be rendered more informative.*

*Against that backdrop, a number of important initiatives have been taken in Ireland with a view to assessing auditors’ performance over recent years. These initiatives include the review of certain aspects of the 2008/9 audits of the covered institutions, which is currently being undertaken by the Institute of Chartered Accountants in Ireland under IAASA’s supervision and which is expected to result in a public report later this year; the ongoing investigation into the performance of Anglo Irish Bank Corporation’s auditors, also being conducted under IAASA’s supervision; and the establishment of the Commission of Inquiry into the Banking Sector in Ireland, which reported in March 2011.*

*Whilst these initiatives focus on past events, important forward looking steps are also being taken, key amongst which is the planned introduction of a regime of independent audit inspection for those audit firms auditing public interest entities, under which responsibility for the assessment of the relevant firms’ performance will transfer from the profession to IAASA. Having recently completed a comprehensive implementation plan, IAASA’s vision is that key elements of the new inspection arrangements will include:*

- *inspection reports, including issues associated with deficient performance, being considered by IAASA rather than by the professional bodies concerned, as is currently the case;*
- *IAASA having at its disposal a comprehensive range of tools to address deficient audit performance, including, for example, the power to attach conditions to firms’ audit registration; to suspend and/or revoke registration; and to impose monetary sanctions; and*
- *in keeping with international trends, the publication of inspection reports.*

*The introduction of a regime of independent audit inspection, which will bring Ireland into line with internationally recognised best practice, will mark a very significant change in how the quality of the audits of public interest entities is monitored. In particular, IAASA believes that the transition will provide greater transparency, assist Boards and Audit Committees in their auditor selection processes and contribute significantly to the longer term restoration and support of confidence in the Irish audit profession’.*

## **Other Highlights**

Other highlights from the Report include:

### *Financial Reporting Supervision*

- a review constituency comprising of 159 listed entities ('issuers') who published 289 financial reports during the year;
- the examination of 42<sup>1</sup> published financial reports, which resulted in:
  - 124 financial reporting matters being raised with reviewed issuers' directors;
  - the provision of undertakings (i.e. in respect of future financial reports) in respect of 79 separate matters; and
  - the publication of amended financial reports in 3 instances;

### *Supervision of the Accountancy Profession*

- the completion of 2 statutory Enquiries into whether accountancy bodies failed to comply with their approved investigation and disciplinary procedures<sup>2</sup>, resulting in:
  - the annulment of certain disciplinary decisions taken by an accountancy body;
  - directions, in two separate instances, that matters be re-investigated; and
  - the imposition of aggregate monetary sanctions of €120,000;

### *Advocacy & Advisory*

- the provision of observations on year-end financial reporting matters for Boards', Audit Committees' and other stakeholders' benefit<sup>3</sup>;
- the provision of observations on materiality in financial reporting for Boards', Audit Committees' and other stakeholders' benefit<sup>4</sup>;
- the publication of a comprehensive Guide to the provisions of the Statutory Audit Directive Regulations for stakeholders' benefit<sup>5</sup>;
- the provision of advice to the Minister and his Department on a range of issues, including the European Commission's Recommendation on Quality Assurance of Auditors and transposition of the Statutory Audit Directive.

**ENDS/**

## **Enquiries**

Enquiries relating to the foregoing should be directed to Mr. Fergal O'Briain, Head of Finance & Administration on +353 (0)45 983616.

**IRISH AUDITING & ACCOUNTING SUPERVISORY AUTHORITY  
12 JULY, 2011**

---

<sup>1</sup> The issuers whose financial reports were reviewed during the year are set out on pages 44-45 of the Report.

<sup>2</sup> Details of statutory Enquiry activity during the year are set out on pages 23-25 of the Report.

<sup>3</sup> See pages 75-78 of the Report.

<sup>4</sup> See page 78 of the Report.

<sup>5</sup> See page 79 of the Report.

## NOTE FOR EDITORS

### Statutory Objects

IAASA's principal responsibilities, as laid down by the Companies (Auditing and Accounting) Act 2003 (as amended), include:

- supervising the Prescribed Accountancy Bodies' ('PABs') regulation and monitoring of their members and member firms;
- monitoring certain listed entities' ('issuers') statutory financial reporting for compliance with relevant reporting frameworks;
- acting as the competent authority with supervisory functions under the EU Statutory Audit Directive; and
- acting as the competent authority for the registration of third country (i.e. non EU) auditors.

### Supervision of the Prescribed Accountancy Bodies ('PABs')

Nine PABs come within IAASA's supervisory remit. They 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).

As at 31 December, 2010, the Prescribed Accountancy Bodies' aggregate:

- membership resident in the State stood at 30,002; and
- student membership resident in the State stood at 17,227<sup>6</sup>.

### Monitoring of Certain Listed Entities' Statutory Financial Reporting

As at 31 December, 2010, IAASA's financial reporting review constituency comprised of 159 listed entities across the categories of equity issuers, issuers of debt instruments and closed ended funds. Constituent entities published a total of 289 financial reports during 2010.

### Quality Assurance – Independent Audit Inspection

#### *Basis*

The decision to implement a system of independent audit inspection in Ireland, which was taken by the then Minister for Trade & Commerce, was based on the European Commission's Recommendation (to Member States) on External Quality Assurance of Auditors of Public Interest Entities<sup>7</sup>.

---

<sup>6</sup> A comprehensive statistical analysis of the profession is provided in Chapter 7 of the Report.

<sup>7</sup> See pages 80-81 of the Report.

### *Public Interest Entities ('PIEs')*

Implementation will affect audit firms engaging in the audit of PIEs. PIEs comprise of:

- entities whose securities have been admitted to trading on certain regulated markets;
- credit institutions; and
- insurance undertakings.

### *Firms Affected*

Firms affected will be those engaging in the audits of PIEs. Based on the data currently available, approximately 9 firms, including the 'Big 4'<sup>8</sup> audit firms, will come within scope of IAASA's inspections.

### *Funding*

In accordance with the Minister's decision, the costs associated with independent inspection will be borne by the firms concerned.

### **Resources**

IAASA has a staff complement of 14 and its expenditure for the year ended 31 December, 2010 was €1.94m. IAASA is funded through a combination of Exchequer funding and statutory levies on the PABs.

---

<sup>8</sup> Deloitte, Ernst & Young, KPMG and PricewaterhouseCoopers