

IRISH AUDITING & ACCOUNTING SUPERVISORY AUTHORITY PUBLISHES 2007 ANNUAL REPORT

Issued: Thursday, 22nd May, 2008

The Irish Auditing & Accounting Supervisory Authority ('IAASA') has today published its 2007 Annual Report. Conferred with statutory powers in early 2006, IAASA was established to supervise the manner in which the accountancy profession regulates itself, to monitor certain entities' statutory financial reporting, 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 for Trade & Commerce on auditing and accounting matters.

IAASA has statutory responsibility for the supervision of:

- nine Prescribed Accountancy Bodies, who between them have approximately 43,700 members and students resident in the State; and
- in excess of 300 listed entities' annual and half-yearly financial reporting, including funds, debt issuers and some of the State's largest Equity issuers.

Marking the publication of the Report IAASA's Chairperson, Ms Karen Erwin, said "*Since its establishment a little over two years ago, IAASA has made substantial progress in delivering on its statutory mandate in the area of supervision of the accountancy profession. As a result of our risk based review activities, by year end we had obtained coverage of the disciplinary and quality assurance processes applying to approximately 99% of all registered firms of auditors located in the State. During the year, we also published Regulations governing the conduct of statutory enquiries under Section 23 of the Companies (Auditing and Accounting) Act, 2003 and, subsequent to publication of those Regulations, referred four matters to the Section 23 process.*"

Commenting further Ms Erwin said "*Based on our supervisory activities in respect of those prescribed accountancy bodies that had, by year end, been the subject of detailed review, we are broadly satisfied that most aspects of those bodies' investigation, disciplinary and quality assurance processes have been appropriately designed with a view to serving and protecting the public interest. That being said, a range of design-related issues have been identified and, at this time, we have either addressed those matters to our satisfaction in conjunction with the affected parties or are in the process of doing so. Similarly, issues continue to be identified in the practical operation of the bodies' investigation, disciplinary and quality assurance processes.*"

During the year, the Board devoted a considerable proportion of its time to giving detailed and careful consideration to the range of significant issues identified through our review activities. Issues considered to be significant were not confined to any one body nor were they confined to any one aspect of the bodies' regulatory and monitoring activities. Rather, issues of significance were identified across a range of the bodies' regulatory and monitoring activities, including in the areas of complaints handling and investigation, discipline, quality assurance and registration of members and member firms. The public interest dimension of certain of the issues arising during the year was

such that the Board approved a range of appropriate responses, including, where considered necessary, the exercise of IAASA's statutory powers.

Where issues are identified, our approach, where appropriate, is to seek to address those matters in a collaborative manner with the aim of further supporting and strengthening the profession's regulation of its members and, by extension, the basis upon which members of the public can place trust and confidence in the bodies' regulation of their members'.

With the commencement, in June, 2007, of the Transparency (Directive 2004/109/EC) Regulations, IAASA became the designated competent authority for the financial reporting supervision and enforcement aspects of the EU Transparency Directive. In that role IAASA has responsibility for monitoring the annual and half-yearly financial reports of in excess of 300 listed entities and, where necessary, for taking appropriate enforcement action where financial reports are not prepared in compliance with relevant reporting frameworks. IAASA's review constituency comprises issuers of equity and debt as well as closed ended funds.

Speaking on this aspect of IAASA's remit, Chief Executive, Mr Ian Drennan said *"The transposition of the EU Transparency Directive into national law during the year represented an exciting development in the context of IAASA's place in Ireland's financial reporting regulatory framework. Shortly after the Regulations were enacted we published a detailed Guide to the financial reporting aspects of the Directive for the purposes of assisting issuers in meeting their obligations. Thereafter, in the period from September 2007 - when issuers' reporting obligations effectively commenced - to year end, IAASA received 24 periodic financial reports. By year end, we had initiated reviews of some 46% of those reports. As a result of those reviews, a range of issues – pertaining to both the accounting standard and legal aspects of financial reporting – had been identified.*

Where issues arise, it is our practice to communicate with those charged with affected issuers' governance with a view to addressing matters arising in a manner that best serves the interests of the investor community and the wider public. Financial reporting supervision and enforcement is a new development for many of those issuers coming within our remit and, in that context, represents a challenge not only for IAASA but for those issuers also. Based on our contacts with issuers to date, I am pleased to be able to say that the reaction has been both positive and constructive. This year will see the majority of issuers being required to file their first periodic financial reports under the Regulations and we look forward to continuing to work constructively with preparers of financial reports in seeking to further enhance public confidence in the quality and reliability of statutory financial reporting."

- ENDS -

EDITORS' NOTE

1. Establishment and conferral of statutory functions

The Irish Auditing & Accounting Supervisory Authority ('IAASA') is an independent statutory body established under the Companies (Auditing and Accounting) Act, 2003. Following its establishment in December 2005, the majority of IAASA's statutory functions and powers were conferred on 3 February, 2006.

2. Principal objectives

IAASA's principal objectives are to:

- I. Supervise how the prescribed accountancy bodies (PABs) regulate and monitor their members;
- II. Monitor the compliance of certain issuers' periodic financial reporting with relevant reporting frameworks;
- III. Act as a specialist source of advice to the Minister for Trade & Commerce on auditing and accounting matters; and
- IV. Promote adherence to high professional standards in the auditing and accountancy profession.

3. Scope of IAASA's supervisory remit - summary

3.1 Prescribed Accountancy Bodies

- A total of nine¹ PABs come within IAASA's supervisory remit. The combined membership of the nine PABs residing within the State is in excess of 25,500 while their combined student numbers resident in the State exceeds 18,200.
- The aggregate number of PAB members located in Ireland that have been granted practising certificates is 2,966.
- The aggregate number of individuals and firms located in Ireland that have been granted audit registration is 1,548.

The nine PABs are the:

1. Association of Chartered Certified Accountants (ACCA);
2. Association of International Accountants (AIA);
3. Chartered Institute of Management Accountants (CIMA);
4. Chartered Institute of Public Finance & Accountancy (CIPFA);
5. Institute of Chartered Accountants in England & Wales (ICAEW);
6. Institute of Chartered Accountants in Ireland (ICAI);
7. Institute of Chartered Accountants of Scotland (ICAS);
8. Institute of Certified Public Accountants in Ireland (ICPAI); and
9. Institute of Incorporated Public Accountants (IIPA).

3.2 Financial Reporting

IAASA has been designated as the competent authority in Ireland for the purposes of the financial reporting monitoring and enforcement aspects of the EU Transparency Directive. In that role IAASA has responsibility for monitoring the annual and half-yearly financial reports of in excess of 300 listed entities and, where necessary, for taking appropriate enforcement action where financial reports are not prepared in compliance with relevant reporting frameworks. IAASA's review constituency comprises:

Equity issuers	37
Closed Ended Funds	64
Debt issuers	<u>207</u>
Total	<u>308</u>

4. Governance

IAASA's Board of Directors comprises:

Ms. Karen Erwin (Chairperson)	Founder & Principal, Erwin Mediation Services
Mr. Ian Drennan*	Chief Executive, IAASA
Mr. Paul Appleby	Director of Corporate Enforcement
Ms. Helene Coffey	Partner, Coffey & McMahon Solicitors
Ms. Marie Daly	Head of Legal & Regulatory Affairs, IBEC
Mr. Michael Deasy*	Head of Financial Institutions and Funds Authorisations, Financial Regulator
Mr. Sean Hawkshaw	Managing Director, KBC Asset Management Limited
Mr. Pat A. Houlihan	Assistant Principal, Company Law/EU Section, Department of Enterprise, Trade & Employment
Mr. Jim Kelly	Secretary, Commission on Taxation
Mr. Tony Kelly*	Partner, Byrne Curtin Kelly, Certified Public Accountants & Registered Auditors
Mr. Brendan Kennedy	Chief Executive, Pensions Board
Mr. David Martin*	Company Director
Mr. Donal O'Connor*	Partner, PricewaterhouseCoopers, Chartered Accountants & Registered Auditors

Senator Joe O'Toole Member of Seanad Éireann

Mr Gerard Scully Director of International Primary Markets, Irish Stock Exchange

* Denotes membership of a Prescribed Accountancy Body

5. Finance and funding

In accordance with the provisions of the Companies (Auditing and Accounting) Act, 2003, IAASA is funded as follows:

- 40% from the Exchequer; and
- 60% from the Prescribed Accountancy Bodies.

In addition, IAASA receives 100% from the Exchequer in respect of its functions under the EU Transparency Directive.

IAASA's audited financial statements in respect of the year ended 31 December, 2007 are included in the Annual Report.

6. Further information

Further information regarding this press release may be obtained from Ian Drennan, Chief Executive on +353 (0)45 983 600.

General information on IAASA and its activities can be obtained at the following contact points:

Irish Auditing & Accounting Supervisory Authority
Willow House
Millennium Park
Naas
Co. Kildare

Telephone: +353 (0)45 983 600

Fax: +353 (0)45 983 601

Email: info@iaasa.ie

Web: www.iaasa.ie