



**Presentation to the ICPAI and
the Lithuanian Chamber of
Auditors
25 September 2008**

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Disclaimer

The views expressed are mine and do not necessarily reflect the views of the Board, individual Board members or the staff of the Authority

Presentation Outline

- Overview/History
- Statutory Remit
- Funding
- Board
- Organisation Structure
- Regulatory and Monitoring Supervision
- Constitutional Documents
- Complaints received by the Authority - Approach
- Other RMS Activities

IAASA Mission Statement

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.

Overview/History

- Review Group on Auditing
- Companies (Auditing and Accounting) Act, 2003
- IAASA was incorporated as a company limited by guarantee with the majority of its statutory functions and powers on 3 February, 2006.

Statutory Remit (S.8)

- To supervise how the prescribed accountancy bodies regulate and monitor their members;
- To promote adherence to high professional standards in the auditing & accountancy profession;
- To act as a competent authority for the purpose of Article 24(4)(H) of the Transparency Directive; and
- To act as a specialist source of advice to the Minister on auditing and accounting matters.

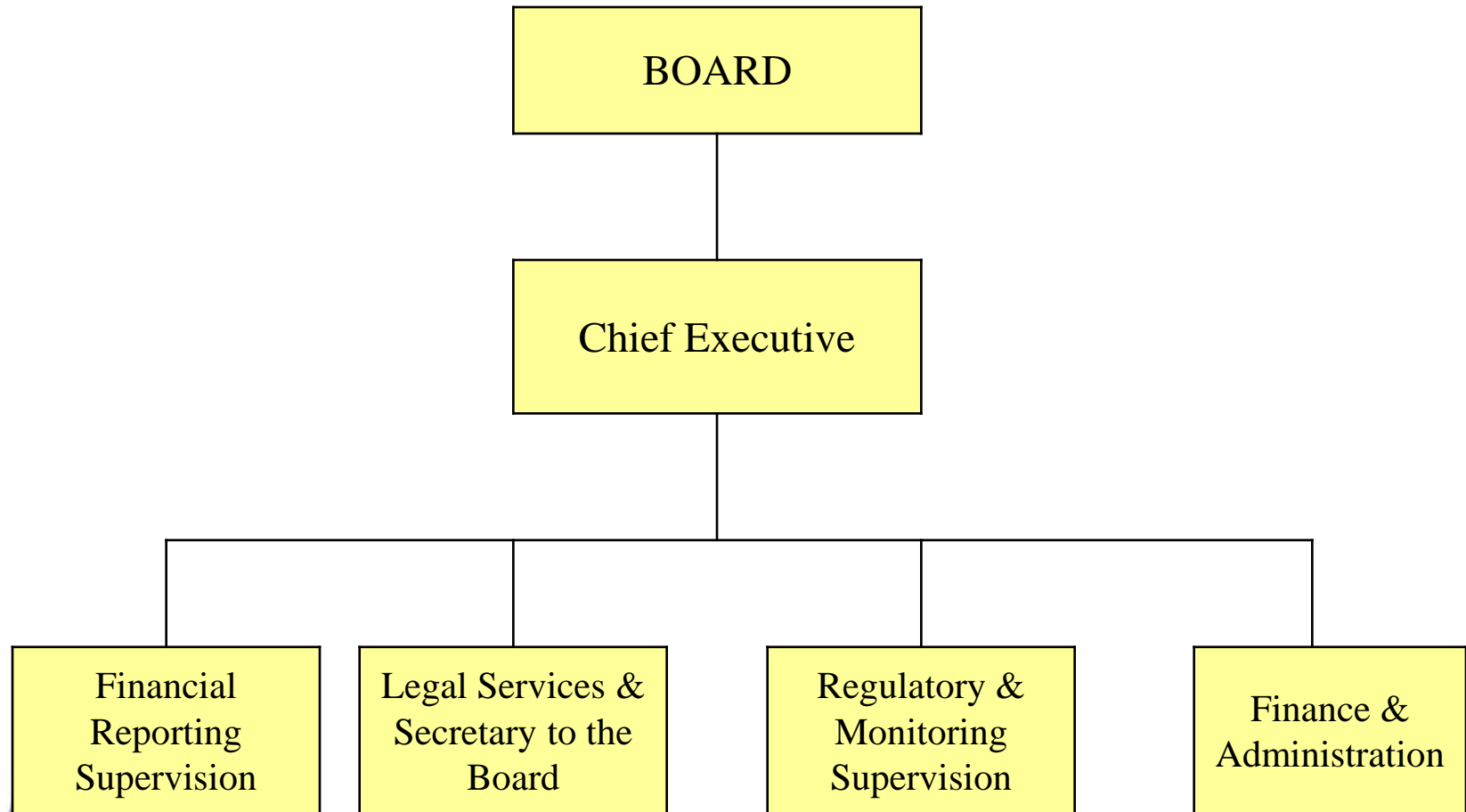
Funding

- The Act provides that:
 - The exchequer will provide 40% of the Authority's funding; and
 - The remaining 60% will be provided by the profession (by way of a levy on the prescribed bodies)

Board Composition

- Company ltd. by guarantee - Board comprises 15 directors, nominated thus:
 - 2 (including the Chairperson) nominated by the Minister;
 - Chief Executive
 - 3 nominated jointly by the prescribed accountancy bodies;
 - 9 nominated by the following bodies (1 each):
 - IBEC
 - IAIM
 - Pensions Board
 - Revenue
 - Law Society
 - ICTU
 - ISE
 - IFSRA
 - ODCE
- A maximum of 5 of the 15 directors may be members of prescribed accountancy bodies.

Organisation Structure



Principal Functions of the Financial Reporting Supervision Unit

- To examine whether the financial reports of issuers whose Home Member State is Ireland under the Transparency Regulations complies with the relevant reporting framework
 - Liaising with other countries' financial reporting monitoring bodies
- Co-operating in the development of accounting standards and practice notes
- Assisting the Board to discharge its functions as an advisor to the Minister on accounting related matters

Regulation and Monitoring Supervision

- The Authority has a Supervisory remit as opposed to being a ‘Regulator’ (S24)
- Consequently, members’ primary regulatory bodies continue to be the Institutes/Associations of which they are members
- The Authority’s function is to supervise the manner in which the Prescribed Accountancy Bodies are regulating and monitoring their members and, in circumstances where this is found to be deficient, to take appropriate steps to remedy any deficiencies.

Prescribed Bodies

- Nine Prescribed Bodies;
 - Six Recognised Bodies (ACCA, ICAEW, ICAI, ICAS, ICPAI and IIPA); and
 - Three Ministerial prescriptees (following Authority recommendation). AIA, CIMA and CIPFA were prescribed on 6 February 2006 (S.I. No 57 of 2006).

Prescribed Bodies

- At 31 December 2007, the aggregate number of the Prescribed Bodies' **members** resident in the State stood at 25,532.
- At 31 December 2007, the aggregate number of the Prescribed Bodies' **students** resident in the State stood at 18,289.
- At 31 December 2007, the aggregate number of individuals or firms located in Ireland that have been granted **audit registration** by a recognised accountancy body is 1,548.

Supervision of Accountancy Bodies

- The Authority's statutory remit, insofar as it directly relates to the prescribed bodies, can be broadly divided into the following categories:
 - investigation/enforcement;
 - approval; and
 - supervisory reviews.

Investigation/Enforcement

- Conduct of enquiries under section 23 into whether a prescribed body has complied with its approved investigation and disciplinary procedures;
- Where not satisfied that a prescribed body has complied with its approved investigation and disciplinary procedures, the Authority may impose sanctions on that body;
- Undertake investigations under section 24 into possible breaches of the standards of a prescribed body by a member/member firm (Interim Procedures just published); and
- Where a member is found to have committed a breach of a body's standards, the Authority may impose any sanction available to the body of the member plus costs.

Statutory Enquiries and Investigations – Section 23

- Preliminary Enquiry Committees
- Enquiry Committees
- Decisions of the Authority
- Sanctions
- Appeal
- Publication of decisions

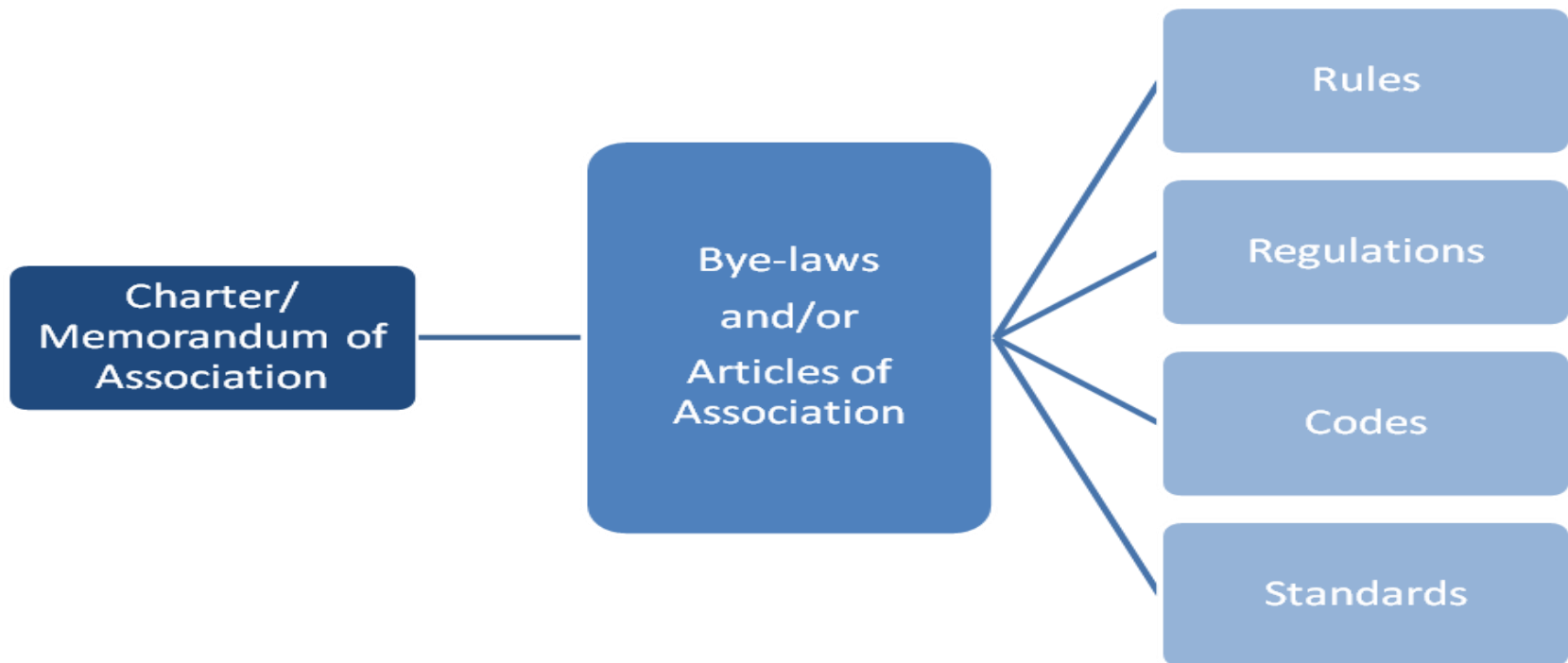
Section 24 Regulations

- The Authority has published draft Regulations governing the conduct of statutory Investigations under Section 24 of the Companies (Auditing and Accounting) Act 2003.
- The closing date for submissions is **Friday 12 December, 2008.**

Approval

- The Authority's approval functions include:
 - approval of bodies' constitutions, bye-laws, regulations and standards, together with any subsequent amendments thereto;
 - granting of recognition to accountancy bodies for audit purposes;
 - the attachment of conditions to recognition; and
 - pre-approval of bodies' regulatory and monitoring plans.

Structure of PAB's constitutional documents



Review of Constitutional Documents

- Reviews include, *inter alia*, the examination of:
 - Constitutions/Memorandum & Articles etc.;
 - Bye-laws & Regulations;
 - Codes of Ethics and Rules of Professional Conduct;
 - Applicable Standards;

Review of Constitutional Documents

Section 9 (2) (c) of the Companies (Auditing and Accounting) Act 2003:

“to require changes to and to approve –

- (i) The constitution and bye-laws of each prescribed accountancy body, including its investigation and disciplinary procedures and its standards, and*
- (ii) Any amendments to the approved constitution or bye-laws of each prescribed accountancy body, including amendments to its investigation and disciplinary procedures and to its standards;”*

Definition of Standards

Standards are defined in section 4 of the Companies (Auditing and Accounting) Act 2003 to be “*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;*

Approvals granted during 2007

| | |
|--------------------------------------|----|
| Charters | 1 |
| Memoranda of Association | 1 |
| Articles of Association | 1 |
| Sets of existing full suite Bye-laws | 1 |
| Sets of amended Bye-laws | 2 |
| Sets of Regulations | 10 |
| Sets of amended Regulations | 7 |
| Codes of Ethics and Conduct | 1 |

Supervisory reviews

- The Authority's supervisory functions include:
 - supervision of the operation of each prescribed body's complaints, investigation, disciplinary and appeal procedures;
 - supervision of how each recognised accountancy body monitors its members;
 - the performance of section 25 reviews of members; and
 - *ex-post* review of bodies' reports on their regulatory and monitoring activities and requiring explanations for variances between planned and actual activity.

Approach to Supervisory Reviews

- In discharging its supervisory remit over the prescribed bodies, the Authority is adopting the following approach:
 - each body is subject to an on-site review;
 - reviews examine each body's systems, practices and procedures etc.;
 - scope and frequency of subsequent reviews of each body will be determined having regard to appropriate risk factors, including, *inter alia*, results of initial reviews.

Review Work Considered Under Four Categories

- Governance and its impact on regulation;
- Disciplinary Procedures and Complaints Handling;
- Licensing and registration of members; and
- System for monitoring their members in public practice

Governance and its Impact on the Regulation of Members

- Try to gain an understanding of the Corporate Governance of the Body, in particular;
 - The link between the governing body and the Quality Assurance function
 - The link between the Committees and the quality assurance function
 - The nature of the independence in the process of discipline from the governing body
 - Reporting lines
 - Clarity of regulation and Bye-laws.
- Review minutes of meetings of Committees
- Attendance as observers at Committee meetings.

Disciplinary Procedures and Complaints Handling

- Review bodies procedures for;
 - Complaints handling procedures;
 - Investigative, Disciplinary and Appeal processes and procedures
- Review investigation and complaints handling process on a sample of files

Licensing and Registration of Members

- Admissions and licensing processes and procedures, i.e.
 - issuing;
 - renewal; and
 - revocation of certificates and authorisations etc.

including experience, PII, CPD etc.;

Review of the Monitoring System

- Monitoring processes and procedures, including:
 - firm risk assessment and selection methodologies;
 - monitoring cycles;
 - monitoring approach, scope, emphasis, programmes and file selection procedures;
 - Internal quality control measures
 - grading criteria; and
 - bodies' follow-up to unsatisfactory monitoring visits;.
- Reviews also include 'shadowing' bodies' inspection staff on selected visits to member firms.

Approach Common to Each Category

- Documentation & understanding of system
- Documentation of organisation and reporting lines
- Selection of a sample of files to confirm the operation of the system
- Attendance at Committee meetings as an observer
- Shadow monitoring visits
- Discussion with staff members

Approach to Complaints Received by the Authority

- Complaint includes any expression of dissatisfaction with accounting related services and or with the regulation of accountants by the PAB's whether communicated to the Authority by members of the public or otherwise.
- Complaints received by the Authority will, in the first instance, be referred to the member's/firm's regulatory body.
- The Authority will supervise the manner in which such matters are dealt with by those bodies.
- If and when circumstances arise, the Authority will make a determination as to whether a matter has a 'public interest' dimension and, if so, whether a more direct involvement may be appropriate (e.g. pursuant to the Authority's powers under sections 23 or 24 respectively of the act).

Other RMS Activities

- Enquiries
- Liaising with other countries' oversight Authorities (EGAOB, IFIAR, POB, PCAOB)
- Interacting with other departments and relevant agencies (e.g. DETE, ODCE, CRO)
- Administering the annual reporting process from the prescribed bodies

PAB's Annual Return

The Authority requires the PAB's to complete an annual return on an annual basis.

Purpose of annual return is twofold

- To enable the authority to provide the public with an insight into the scale of the profession and the PAB's principal activities on an annual basis. Certain information from the PAB's is confidential.
- To provide the authority with information necessary to enable it to
 - Monitor the PAB's ongoing regulatory, monitoring and related activities; and
 - Plan for supervisory reviews.

Contacts and Further Information

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Questions