



Irish Auditing and Accounting Supervisory Authority

Annual Report 2008



IAASA

Irish Auditing & Accounting
Supervisory Authority

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

Table of Contents

Chairperson's Statement	5
Chief Executive's Review	9
2008 at a Glance	15
Chapter 1 Governance	19
Chapter 2 Principal goals & organisational structure	29
Chapter 3 Supervision of how the Prescribed Accountancy Bodies regulate and monitor their members	35
Chapter 4 Monitoring the compliance of certain issuers' periodic financial reporting with relevant reporting frameworks	57
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	87
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	97
Chapter 7 Profile of the Prescribed Accountancy Bodies	107
Financial & Related Statements	163
Appendices	191
Glossary of Terms	197

Chairperson's Statement

Introduction

It is with pleasure that I submit the Authority's third Annual Report to the Tánaiste and Minister for Enterprise, Trade and Employment, Ms. Mary Coughlan, TD, pursuant to the provisions of section 22(1) of the Companies (Auditing and Accounting) Act, 2003.

Year under review

Last year saw the sub-prime based 'credit crunch' in the wholesale money markets become a full scale international financial crisis, with the effects of that crisis being further exacerbated domestically by a rapid deterioration in economic conditions generally and, in particular, by what has emerged to have been an overexposure to property investment and a severe fall off in construction and related activity.

The confluence of these factors has significantly increased the risks associated with the preparation of statutory financial reports and, by extension, the risks associated with the audit of those financial statements. These increased risk levels, in turn, significantly increase the risk of serious and lasting damage to public confidence in statutory financial reporting and in the accountancy profession.

Against that backdrop, and consistent with our mission to support and enhance confidence in the accountancy profession and financial reporting, the



Karen Erwin, Chairperson

Board devoted considerable time and effort during the year to overseeing the Authority's response to those risks, with our response spanning the Authority's supervisory, advocacy and advisory remits.

The scale and nature of these challenges and risks, taken together with the various parties' legal and professional responsibilities, is, of course, such that it is the collective responsibility of all concerned to work together towards providing and maintaining a sound basis on which the public can have confidence in financial reporting and in the profession of accountancy. For its part, in addition to continuing to engage with those professional bodies and issuers coming within its supervisory remit, the Authority maintained its ongoing contacts with its EU and

international counterparts as well as, to the extent possible under the current regulatory arrangements, engaging with the larger audit firms regarding their assessment of, and responses to, the additional risks and challenges arising.

As part of its broader response to these events, the Board continued to advocate that Ireland's regulatory arrangements should be revised with a view to ensuring that they are more reflective of internationally accepted best practice and, specifically, that the EU Commission's Recommendation on quality assurance of external auditors of public interest entities should be implemented. The Board welcomes the decision by the Department of Enterprise, Trade & Employment to initiate a public consultation on this important issue and is hopeful that the important step of implementation of the Recommendation will be taken in the coming months.

In tandem with the above, 2008 saw certain revelations come into the public domain, the effect of which has been to severely damage confidence in Ireland's corporate governance and associated arrangements both domestically and internationally. Much of the subject matter of those various revelations has implications beyond the Authority's remit and is, as a result, the subject of enquiries by a number of other statutory bodies. To the extent that these revelations have raised issues relating to members of the profession, the Authority has been quick to communicate to the relevant professional

bodies coming within its supervisory remit its clear expectation that these matters will be fully investigated in a timely manner. During 2009, the Board will continue to monitor closely those bodies' regulatory responses to these events and, in that context, to assess the ongoing suitability and appropriateness of the current model of supervised self regulation as provided for by the Act. Similarly, where aspects of the revelations referred to above have had a financial reporting dimension, we have been prompt in initiating contact with relevant issuers' Boards and other interested parties with a view to enabling the Authority to assess whether those matters have implications for the compliance of affected issuers' statutory financial reporting with relevant reporting frameworks, including applicable accounting standards.

The coming year

Having regard to our ongoing programme of supervisory work and in view of the significance of certain of the issues referred to above, 2009 is certain to be another challenging year for the Board and Executive. As alluded to above, it is imperative that Ireland, as a small and open economy, moves quickly to take the necessary steps to address the damage done to its reputation and standing internationally. For its part, the Board looks forward to continuing to discharge its statutory mandate with the objectives of promoting the public interest and contributing to the maintenance and enhancement of public confidence

in statutory financial reporting and in the accountancy profession.

Concluding remarks

I would like to record the Board's thanks and appreciation to Mr. John McGuinness, TD, former Minister for Trade & Commerce, and to the Department of Enterprise, Trade & Employment for their ongoing support of the Board and its activities. I would also like to thank my fellow Board members for their work - not only on the Board but also as

members of its various Committees. The achievements of the Authority in the last year in completing its work plan would not have been possible but for the professionalism and dedication of the Chief Executive and the staff - they are a strong and dedicated team who have worked together well to achieve what they did. The Board joins me in thanking them for all of their efforts.

Karen Erwin
Chairperson
30 April, 2009

Chief Executive's Review

Context for this Report

The year under review was the third and final year of the Authority's 2006-08 Work Programme. In that context, this is an appropriate time at which to reflect on the extent to which the Authority has met the challenging targets laid down for itself at the time of the adoption of that Work Programme.

Supervision of the Prescribed Accountancy Bodies ('PABs')

In its 2006-08 Work Programme the Authority set itself the following principal targets:

- furnish recommendations to the Minister regarding the prescription of additional bodies of accountants;
- design and implement a process to facilitate the review and approval of the PABs' constitutional documents and amendments thereto, together with associated processes for monitoring and assessing the PABs' responses to issues arising;
- design and implement a programme of supervisory reviews of the PABs, together with associated processes for monitoring and assessing the PABs' responses to issues arising;
- design and implement processes for dealing with complaints received by the Authority and



Ian Drennan, Chief Executive

develop procedures governing the conduct of statutory Enquiries and Investigations under sections 23 and 24 of the Act respectively; and

- design and implement a system of periodic reporting by the PABs of their regulatory and monitoring activities.

Over the subsequent three years, the Authority has:

- having consulted with the bodies concerned and having undertaken a high level review of their regulatory arrangements, recommended to the Minister that three additional bodies of accountants¹ be prescribed (i.e. brought within the Authority's supervisory remit), a

¹ Association of International Accountants (AIA), Chartered Institute of Management Accountants (CIMA) and Chartered Institute of Public Finance & Accountancy (CIPFA)

recommendation that was accepted and acted upon in full by the Minister, thereby bringing to nine the total number of PABs;

- developed and implemented approval and supervisory processes such that, by the end of 2008:
 - detailed supervisory reviews had been performed in respect of PABs whose combined membership equates to 97% of the PABs' total membership resident in the State;
 - approvals had been granted in respect of the constitutional documents of PABs whose combined membership equates to 84% of the PABs' total membership in the State;
 - a total of 68 recommendations had been tabled to the PABs for the purpose of effecting improvements to their regulation and monitoring of members and member firms;
 - where considered necessary or otherwise appropriate in response to review findings, additional supervisory actions had been taken, including the attachment of additional conditions to the recognition (i.e. for audit purposes) of Recognised Accountancy Bodies ('RABs');
 - a substantial number of improving amendments had been made to the PABs' constitutional documents in advance of Authority approval being granted;
- the Authority had developed complaints handling procedures, processed 63 complaints, published Regulations governing the conduct of Enquiries and Investigations under sections 23 and 24 of the Act respectively, initiated five Enquiries under section 23 and developed protocols for responding to matters of public interest or otherwise of particular significance; and
- a comprehensive system of annual reporting by the PABs of their regulatory and monitoring activities had been implemented which, in addition to informing the Authority's risk assessment processes, also forms a source of detailed published information on the profile of the profession for stakeholders' benefit.

Supervision of constituent entities' statutory financial reporting

At the time of the adoption of the 2006-08 Work Programme section 26 of the Act - which provides for the Authority's financial reporting supervisory remit - had not been commenced. In that context, the Authority set itself the following principal targets for the following three years:

- identify the scale and composition of each class of the review constituency as provided for by section 26;
- identify the scale and composition of those classes of entity in respect of which the Act

envisages Ministerial exemptions potentially being provided;

- develop proposals for the implementation of a levy on constituent entities;
- design and develop financial reporting review methodologies and programmes, including risk analysis, assessment and selection criteria; and
- design and implement a programme of reviews of constituent entities' statutory financial reports, together with associated processes for responding to review issues arising.

Consistent with the foregoing, the Authority undertook a major research exercise for the purpose of identifying the scale and composition of the section 26 review constituency. As a result of that exercise, the Authority determined the review constituency to comprise of in excess of 4,100 entities, including, amongst others, plcs, subsidiaries of plcs, private companies meeting relevant monetary thresholds and groups of private companies meeting relevant monetary thresholds. Having completed this major undertaking, the Authority went on to develop detailed proposals for the apportionment of levies across constituent entities, with those proposals being based on, amongst other considerations, the principles of risk, potential impact of material misstatement on stakeholders and constituent entities' respective size. Concurrent with the foregoing, the Authority also devoted considerable resources towards the formulation and development

of its financial reporting review policies, risk assessment and selection methodologies and review programmes for both IFRS and Irish GAAP financial reporting.

The exercise of ascertaining the scale and composition of the section 26 review constituency was a valuable research exercise, not least from the perspective of underscoring the resource implications that would flow from having a review constituency of over 4,100 entities and bringing to light significant impediments to the identification of certain classes of constituent entities. However, following detailed analysis of the composition of the constituency, the Authority concluded that the provisions of section 15(2) the Act are not sufficiently flexible to allow for the apportionment of levies in a manner that would be equitable (i.e. having regard to constituent entities' size and risk profile) and cost effective. Accordingly, following discussions with the Department of Enterprise, Trade & Employment, the Department took the view that section 26 and the relevant aspects of section 15 should be subjected to a detailed review before being considered for commencement.

The impact of the foregoing issues was subsequently largely addressed by the decision of the Minister for Trade & Commerce to designate the Authority as the competent authority for the financial reporting aspects of the EU Transparency Directive. With a review constituency of approximately 225 issuers - comprising of issuers of equity, debt and closed ended funds, all of whose securities are listed on



regulated markets - the Authority's role under the Transparency Regulations has served to ensure that its limited resources are focused in a much more effective manner, i.e. on those entities whose statutory financial reporting would, by virtue of their listed status, be most likely to adversely impact upon the public interest in the event of material misstatement.

In the period from June 2007 (i.e. when the Authority was conferred with its responsibilities as competent authority for the purposes of the Transparency Directive) to 31 December 2008, the Authority has made a significant and tangible contribution towards improving the quality of statutory financial reporting in Ireland. Specifically, in that period the Authority has:

- completed reviews of 51 periodic financial reports;
- secured undertakings concerning the publication, on a voluntary basis, of 28 amended periodic financial reports, i.e. without having had to resort to the use of statutory enforcement powers; and
- secured undertakings from issuers' directors to effect improvements to subsequent periodic financial reports in 39 instances.

Provision of specialist advice to the Minister

Whilst the full range of issues in respect of which the Authority might be requested to provide advice to the Minister over the following three years could not be predicted with certainty at the time of the adoption of the 2006-08 Work Programme, the Authority did at that time include the following as examples of issues that might arise:

- statutory recognition of the term '*Accountant*'; and
- auditors' liability.

In the intervening three years, the Authority has provided high quality and well researched advice - which, where appropriate has been formulated having regard to stakeholders' views as garnered through public consultation exercises - to the Minister on a range of topics including:

- transposition of the EU Transparency Directive into domestic law;
- transposition of the revised EU Statutory Audit Directive² into domestic law;
- whether the EU Commission's Recommendation on external quality assurance of auditors of public interest entities should be implemented;
- implementation of the EU Commission's Decision to grant transitional arrangements to

² Directive (2006/43/EC), which can be accessed on the Authority's website at <http://www.iaasa.ie/legislation/index.htm>

certain third country auditors in the context of the Statutory Audit Directive;

- the conduct of quality assurance inspections of Irish audit firms by third country audit regulators;
- proposals for the reform of auditors' liability, through the Authority's membership of the Company Law Review Group;
- certain aspects of the Companies (Auditing and Accounting) Act, 2003, both directly and through the Authority's membership of the Company Law Review Group; and
- statutory recognition of the term 'Accountant', which the Authority provided having undertaken a major consultation exercise with interested parties.

In addition to the foregoing, the Authority has also provided advice on other matters of relevance to its remit to the Departments of Finance and Education & Science respectively.

Promotion of adherence to high professional standards

In developing its 2006-08 Work Programme the Authority identified the principal proposed strategies for promoting adherence to high professional standards as being through interaction with (i) the accountancy profession; and (ii) other key stakeholders.

In the intervening period, the Authority has pursued these strategies through, amongst others, the following principal avenues:

- provision of authoritative guidance on the:
 - financial reporting requirements of the Transparency Regulations and associated requirements; and
 - the Authority's role under those Regulations;
- the provision of feedback on the results of financial reporting review activity for the purpose of assisting issuers' directors to ensure full compliance with their financial reporting obligations;
- improvement and enhancement of the PABs' regulatory and monitoring arrangements through the supervisory review and approvals processes;
- co-operation with EU and international counterparts in a range of fora committed to the promotion of adherence to high standards and adoption of best practice, including the EECS, EGAOB and IFIAR;
- co-operation with standard setters in the areas of accounting, auditing and ethics;
- provision of observations on specific financial reporting issues arising in the context of the international financial crisis, development of which was at an advanced stage by year end;
- provision of assistance to members of the public in the context of the receipt of queries and enquiries regarding a range of issues



relating to relevant parties' roles and responsibilities; and

- making Authority staff available to deliver information presentations to interested parties and to contribute to professional journals.

Concluding remarks

As is evident from the foregoing, the Authority has largely managed to achieve, and in certain areas significantly exceed, the targets set for itself three years ago. This achievement is a testament to the commitment, dedication and professionalism of the Authority's staff and is all the more notable when one considers that, due to the difficulties in recruiting professional staff that have been experienced from the outset, the Authority has yet to reach its full staff complement.

Based on the consistent high standard of its outputs and its rigorous approach to the discharge of its responsibilities, the Authority has successfully

established its credentials amongst its stakeholders as being a professional and credible supervisory and enforcement body. Accordingly, the Authority is well placed to face into the next stage of its development, as mapped out in its 2009-11 Work Programme. My colleagues and I look forward to implementing the new Work Programme and, in doing so, to continuing to engage with the Authority's stakeholders in the pursuit of the Authority's mission to support and enhance public confidence in the accountancy profession and in statutory financial reporting.

In conclusion, I would like to express my gratitude to my Chairperson and Board colleagues for their ongoing support and guidance and to my colleagues for their continued hard work, commitment and professionalism.

Ian Drennan
Chief Executive
30 April, 2009

2008 at a Glance

Supervision of the Prescribed Accountancy Bodies

- The Authority's supervisory constituency comprises of nine PABs. At 31 December, 2008:
 - the PABs' aggregate membership resident in the State stood at 27,377 (an increase of 7% on the corresponding statistic at 31 December, 2007)
 - the PABs' aggregate student membership resident in the State stood at 18,821 (an increase of 3% on the corresponding statistic at 31 December, 2007)
- By year end the Authority's detailed supervisory reviews had covered PABs whose aggregate membership accounts for 97% of the PABs' total membership resident in the State.
- Over the course of 2008 the Authority granted 19 approvals in respect of PABs' constitutional documents and proposed amendments thereto, with a further 23 matters being under examination at year end. As a result, by year end the Authority had, following detailed examination, granted its approval in respect of the constitutional documents of PABs whose aggregate membership accounts for 84% of the PABs' total membership resident in the State.
- In December, 2008 the Authority appointed a senior staff member to observe the Institute of Chartered Accountants in Ireland's regulatory response to events giving rise to the resignation of Messrs Sean FitzPatrick and David Drumm as Chairman and Chief Executive respectively of Anglo Irish Bank Corporation plc.
- In addition to its ongoing supervision of the PABs' regulatory activities, during the year the Authority took a specific interest in relevant PABs' responses to:
 - the Supreme Court judgement in the civil insider dealing case involving DCC plc and others and the subsequent appointment of a High Court Inspector to DCC plc;
 - the public announcement by Greencore Group plc of a material misstatement of financial performance resulting from the alleged deliberate concealment of costs; and
 - the US Securities & Exchange Commission's proceedings against the auditors of SmartForce plc, Ernst & Young, an Ernst & Young partner and two SmartForce executives.
- During the year two Authority Preliminary Enquiry Committees found *prima facie* cases of breaches of a PAB's investigation and disciplinary procedures. On foot of these findings, the Authority resolved to appoint two Full Enquiry Committees.

Supervision of constituent entities' statutory financial reporting

- The Authority's financial reporting review constituency comprises of approximately 225 listed entities ('issuers').
- The Authority completed reviews of 51 periodic financial reports during the year, with a further six reviews ongoing at year end.
- The abovementioned reviews related to 47 separate issuers, 44 (93%) of whom the Authority had occasion to initiate correspondence with.
- On foot of reviews completed during the year, directors of reviewed issuers:
 - undertook to publish 28 amended periodic financial reports; and
 - provided the Authority with undertakings to effect improvements in subsequent periodic financial reports in 39 instances.
- Due to the general willingness of directors of reviewed issuers to engage positively and constructively on review issues arising, the Authority has not to date had to exercise its statutory powers of enforcement in order to secure the publication of amended financial information in users' interests.

Advisory & Advocacy

Advisory

- During 2008 the Authority provided advice to the Minister and/or to his officials on a range of topics, including :
 - implementation of the EU Statutory Audit Directive;
 - whether the European Commission's Recommendation on external quality assurance of auditors of public interest entities should be implemented in Ireland; and
 - implementation of the European Commission's Decision to introduce transitional arrangements for certain third country auditors.
- Through its membership of the Company Law Review Group, the Authority also provided the Minister with advice on a range of company law related matters, including on the topic of proposals for reform of auditors' liability.

Advocacy

- In June 2008, with a view to providing assistance to issuers who at that time had yet to publish their first half-yearly financial reports, the Authority published a Commentary on its findings based on its first series of reviews of issuers' half-yearly reports. In addition, in view of the financial reporting

challenges arising from the international credit crisis and the domestic and international economic downturns, the Authority considered it appropriate to issue further guidance material setting out its observations on certain key year-end financial reporting issues. At year end, preparation of this material was at an advanced stage.

- During the year the Authority responded to in excess of 130 enquiries from members of the public regarding various aspects of its role and functions.
- The Authority continued its policy of making staff members available to deliver information presentations to interested parties, with 7 presentations being given during the year to audiences including students of accounting, a large audit firm's senior management, staff of the Department of Enterprise, Trade & Employment and a visiting delegation from the Lithuanian Chamber of Auditors.

Chapter 1

Governance

Chapter 1

Governance

1. Legal structure

Pursuant to the provisions of section 5 of the Companies (Auditing and Accounting) Act, 2003 ('the Act')³, the Irish Auditing & 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')⁴.

Ireland*

- Institute of Chartered Accountants in England & Wales*
- Institute of Chartered Accountants in Ireland*
- Institute of Chartered Accountants of Scotland*
- Institute of Incorporated Public Accountants*
- Irish Association of Investment Managers
- Irish Business & Employers' Confederation
- Irish Congress of Trade Unions
- Irish Stock Exchange
- Law Society of Ireland
- Pensions Board
- Revenue Commissioners

2. Company membership

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

- Association of Chartered Certified Accountants*
- Association of International Accountants*
- Chartered Institute of Management Accountants*
- Chartered Institute of Public Finance & Accountancy*
- Director of Corporate Enforcement
- Financial Regulator
- Institute of Certified Public Accountants in

* Denotes a Prescribed Accountancy Body

3. Governance

3.1 Appointment of the Board of Directors

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 Table 1. The remaining director is the Chief Executive, who is appointed by the aforementioned fourteen directors.

³ A copy of the Act can be accessed on the Authority's website at <http://www.iaasa.ie/legislation/index.htm>

⁴ While the Act refers to the Minister for Enterprise, Trade & Employment, for the entirety of 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 Enterprise, Trade and Employment (Delegation of Ministerial Functions) (No.2) Order, 2007 (S. I. No. 560 of 2007), the text of which can be accessed at www.irishstatutebook.ie



Table 1
Board of Directors – Nominating Bodies

Nominating body	Nominees
Minister	2 ⁵
Prescribed Accountancy Bodies ('PABs') (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.

3.2 Board procedures

The Board holds regular meetings (typically monthly) 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 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 of the directors 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.

3.3 Board meetings

During the year, the Board held 11 scheduled meetings. 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 Table 2.

⁵ The Minister's nominees include the Chairperson of the Authority.

Table 2
Board of Directors - Details & Attendance

Director	Occupation	Nominated by	Meetings attended/ Meetings eligible to attend
Ms. Karen Erwin (Chairperson)	Founder & Principal, Erwin Mediation Services	Minister for Trade & Commerce	11/11
Mr. Ian Drennan*	Chief Executive	Other directors	11/11
Mr. Paul Appleby	Director of Corporate Enforcement	Director of Corporate Enforcement	10/11
Ms. Helene Coffey	Partner, Coffey & McMahon Solicitors	Law Society of Ireland	7/11
Ms. Marie Daly	Head of Legal & Regulatory Affairs, IBEC	Irish Business & Employers' Confederation	9/11
Mr. Michael Deasy*	Head of Financial Institutions & Funds Authorisations, Financial Regulator	Financial Regulator	8/11
Mr. Sean Hawkshaw	Managing Director, KBC Asset Management Limited	Irish Association of Investment Managers	7/11
Mr. Pat A. Houlihan ⁶	Assistant Principal, Company Law/ EU Section, Department of Enterprise, Trade & Employment	Minister for Trade & Commerce	9/11
Mr. Jim Kelly ⁷	Secretary, Commission on Taxation	Revenue Commissioners	9/11
Mr. Tony Kelly*	Partner, Byrne Curtin Kelly, Certified Public Accountants & Registered Auditors	Prescribed Accountancy Bodies	9/11
Mr. Brendan Kennedy	Chief Executive, Pensions Board	Pensions Board	8/11
Mr. David Martin*	Company Director	Prescribed Accountancy Bodies	9/11
Mr. Donal O'Connor*	Company Director	Prescribed Accountancy Bodies	6/11
Senator Joe O'Toole	Member of Seanad Éireann (Upper House of Parliament)	Irish Congress of Trade Unions	8/11
Mr. Gerard Scully	Director of International Primary Markets, Irish Stock Exchange	Irish Stock Exchange	11/11

* Denotes membership of a Prescribed Accountancy Body

⁶ Following the expiration of Mr. Houlihan's term of office in January 2009, the Minister appointed Mr. Brian Shiels to the Board.

⁷ Following the expiration of Mr. Kelly's term of office in January 2009, the Minister appointed Mr. Tadhg O'Connell to the Board following his nomination by the Revenue Commissioners.





Karen Erwin



Ian Drennan



Paul Appleby



Helene Coffey



Marie Daly



Michael Deasy



Sean Hawkshaw



Pat A. Houlihan



Jim Kelly



Tony Kelly



Brendan Kennedy



David Martin



Donal O'Connor



Joe O'Toole



Gerard Scully

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 3
Authority Committees – Mandates and Memberships

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.	Donal O'Connor (Chair) ⁸ Helene Coffey Jim Kelly ⁹
Remuneration	Assessing the performance of the Chief Executive and making recommendations to the Board regarding the Chief Executive's and Directors' remuneration.	Senator Joe O'Toole (Chair) ¹⁰ Paul Appleby Karen Erwin Brendan Kennedy
S23 Preliminary Enquiry Committee No. I	Determining whether, in accordance with the Authority's section 23 Regulations, full Enquiries should be initiated under Section 23 of the Act in respect of two separate matters relating to the same PAB (Body A).	Sean Hawkshaw (Chair) Marie Daly David Martin
S23 Preliminary Enquiry Committee No. II	Determining whether, in accordance with the Authority's Section 23 Regulations, full Enquiries should be initiated under section 23 of the Act in respect of two separate matters relating to the same PAB (Body B).	Sean Hawkshaw (Chair) Marie Daly Tony Kelly
S23 Preliminary Enquiry Committee No. III	Determining whether, in accordance with the Authority's Section 23 Regulations, a full Enquiry should be initiated under section 23 of the Act in respect of a separate matter relating to (Body B).	Sean Hawkshaw (Chair) Brendan Kennedy Tony Kelly
S23 Full Enquiry Committee No. I	Conducting a full Enquiry into whether the Institute of Chartered Accountants in Ireland failed to comply with its approved investigation and disciplinary procedures when handling a complaint relating to a member firm.	Helene Coffey (Chair) Paul Appleby Daniel C. Foley (external independent appointee)
S23 Full Enquiry Committee No. II	Conducting a full Enquiry into whether the Institute of Chartered Accountants in Ireland failed to comply with its approved investigation and disciplinary procedures when handling a complaint relating to a member.	Gerard Scully (Chair) Senator Joe O'Toole Finbarr O'Shea (external independent appointee)

⁸ Following Mr. O'Connor's resignation from the Board, Mr. Michael Deasy was appointed as Chair of the Committee (in March 2009).

⁹ Following the expiration of Mr. Kelly's term of office as a member of the Board, Mr. Tadhg O'Connell was appointed to the Committee (in March 2009).

¹⁰ Following the expiration of Senator O'Toole's term of office as a Committee member, Mr. Brian Shiels was appointed to the Committee (in March 2009). At that time Mr. Brendan Kennedy was appointed as Chair of the Committee.

The composition of section 23 Committees (i.e. Preliminary and Full) is governed by Regulations made by the Authority for the purpose of governing the conduct of such Enquiries. The Regulations provide, amongst other things, that: (i) each Committee shall comprise at least three members, two of whom are directors of the Authority; (ii) in order to be quorate, at least one director of the Authority must be present at Committee meetings; and (iii) the Chief Executive shall not be a member of a Section 23 Committee.

5. Public sector governance obligations

The directors are committed to maintaining the highest standards of corporate governance and compliance. 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') issued by the Department of Finance, which 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

Chapter 2

Principal goals & organisational structure

1. Principal goals

Pursuant to the requirements of section 13 of the Act, the Authority developed its first Work Programme to cover the three year period 2006-08¹¹. That Work Programme was drawn up having regard to, amongst other considerations:

- the Authority's objects, as set out in section 8 of the Act;
- the Authority's functions, as set out in section 9 of the Act;
- the Authority's powers, as set out in section 10 of the Act; and
- ancillary considerations including the Authority's obligations and responsibilities as a statutory body and a company incorporated under the Companies Acts.

Having regard to the foregoing considerations, the Authority's key goals¹² are to:

- I supervise how the PABs regulate and monitor their members;
- II monitor the compliance of certain issuers' periodic financial reporting with relevant reporting frameworks¹³;
- III promote adherence to high professional standards in the auditing and accountancy

profession and act as a specialist source of advice to the Minister on auditing and accounting matters; and

- IV ensure the Authority's adherence to its legal and governance obligations and to provide a high quality service to internal and external stakeholders.

The Authority's activities during the year in seeking to achieve the foregoing goals are elaborated upon in Chapters 3 to 6 of this Report.

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 PABs 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

¹¹ Prior to year end, the Authority published a draft Work Programme in respect of the three year period 2009-11 and invited interested parties' comments thereon.

¹² These key goals are likely to be modified somewhat in the final 2009-11 Work Programme.

¹³ In view of the conferral of analogous functions on the Authority under the EU Transparency Directive and the non-commencement of section 26 of the Act, this goal has been amended from that which was contained in the Authority's first Work Programme, namely 'To monitor whether the financial statements of certain classes of entities comply with the Companies Acts'.



- 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 scale – 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 Table 4 below.

The difference between approved and actual staff complements is attributable to a combination of (i) the ongoing difficulties that the Authority has encountered since its establishment in recruiting suitably experienced professional staff at the salary levels approved for those posts; (ii) the Authority's policy of recruiting administrative support staff in line with the increase in its workload; and (iii) the Authority's obligations to reduce payroll costs year-on-year in accordance with Government policy in this area.

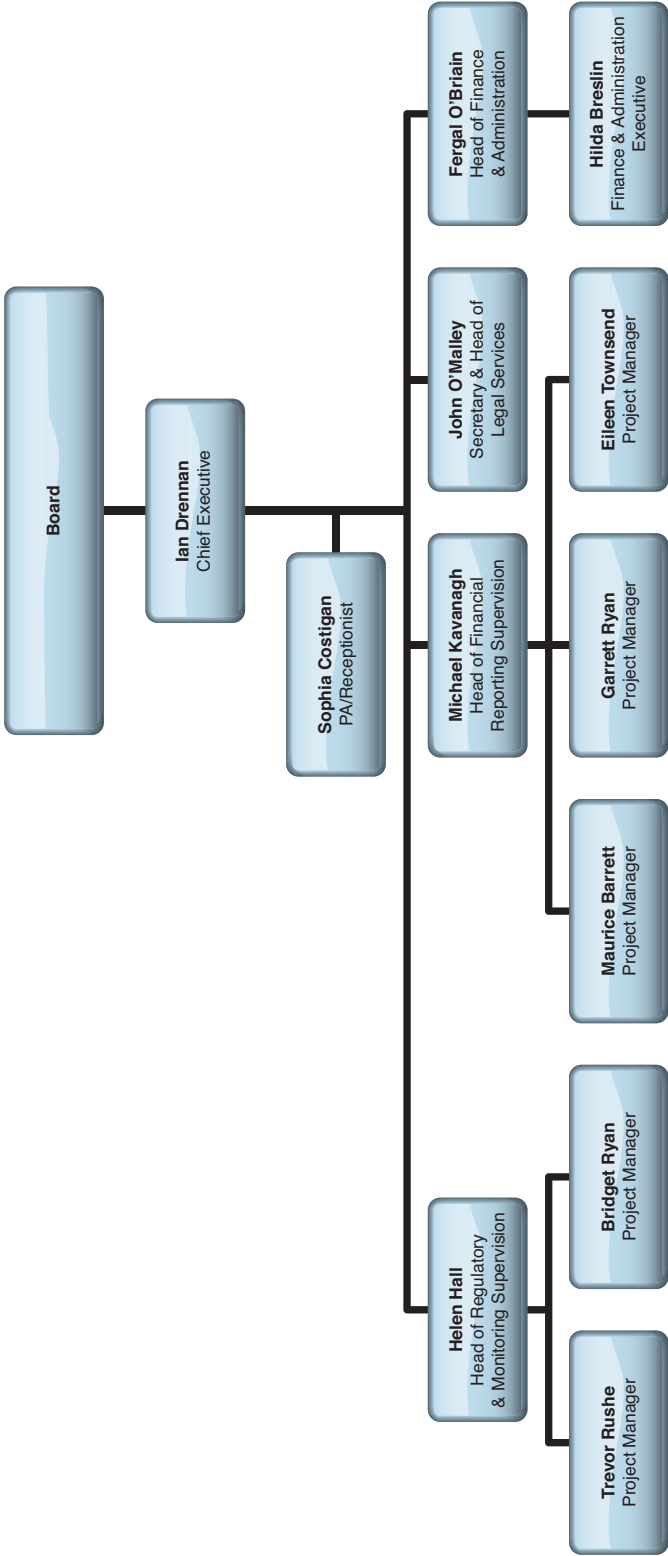
2.3 Organisational structure

The Authority's organisational structure as at 31 December, 2008 was as set out in the organisation chart across.

Table 4
Approved and Actual Staff Complements

	Approved	Actual ¹⁴
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

¹⁴ At 31 December, 2008.



Chapter 3

Supervision of how the
Prescribed Accountancy
Bodies regulate and
monitor their members

Chapter 3

Supervision of how the Prescribed Accountancy Bodies regulate and monitor their members

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 PABs' regulation and monitoring of their members¹⁵. Other activities engaged in by the Authority in discharging its statutory mandate and in seeking to further its mission include 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 following sections discuss each of these activities in further detail.

2. Supervision of the Prescribed Accountancy Bodies

2.1 Legislative Context

The context for the Authority's legislative functions *vis-à-vis* the PABs was set out in detail in the Authority's first Annual Report¹⁶ and is not, therefore, reproduced in this Report. In summary, the Act provides that the Authority's principal functions *vis-à-vis* the PABs include:

- granting approval for 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')¹⁷ monitor their members and member firms.

¹⁵ 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).

¹⁶ The Authority's first Annual Report can be accessed at <http://www.iaasa.ie/publications/index.htm>

¹⁷ 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 the ACCA, ICAEW, ICAI, ICAS, ICPAI and the IIPA.



2.2 Principal supervisory activities

During the year under review, the Authority's supervisory activities *vis-à-vis* the PABs, fell, broadly, into the following principal categories:

- I Supervisory reviews;
- II Responses to issues of public interest or otherwise of particular significance;
- III Approval related activities;
- IV Complaints handling;
- V Statutory Enquiries & Investigations;
- VI Responding to queries from members of the public;
- VII PABs' Annual Return process;
- VIII Considering applications for RAB status; and
- IX Co-operation activities.

3. Supervisory reviews

The approach, methodology and reporting process applying to the Authority's supervisory reviews of the PABs were described in considerable detail in the Authority's first Annual Report¹⁶ and for that reason are not reproduced in this Report. During 2008, the Authority initiated two further supervisory reviews, one of which had been completed by year end with the second being substantially complete by that time. A third review, which had been carried forward from the previous year, was also ongoing at year end (due to the significance of certain of the issues identified during the course of that review, completion of other aspects of the review were deferred in order to facilitate the focussing of resources on a full and

detailed examination of those issues). The Authority's examination of these issues was ongoing at year end.

During the year the Authority also initiated a process of on-site review meetings with the PABs, with seven such review meetings being held during the year. The purpose of these review meetings is to discuss outstanding supervisory matters, follow up on the implementation of previous recommendations and to ensure that the Authority is apprised by the PABs of all proposed and actual regulatory developments in a timely manner.

Set out in Table 5, on a non-PAB specific basis, is an overview of the nature of some of the more significant issues that arose during the course of the Authority's supervision of the PABs during the year (i.e. through supervisory reviews, on-site review meetings and desk based supervisory activity) together with a broad overview of the Authority's responses thereto. By identifying issues and working with those charged with the management and governance of the relevant PABs, the Authority's supervisory activities seek to further improve the efficacy of those systems and processes in a timely fashion, thereby:

- contributing to the promotion of the public interest; and
- contributing to the enhancement of public confidence in the manner in which the PABs are regulating and monitoring their members.

In studying the following Table, readers should be cognisant of the fact that the findings set out therein

may relate to one or more PABs. Certain issues which were identified during the Authority's supervisory activities in previous years, and which have been described in detail in previous Annual Reports, were equally identified as being issues in the context of the Authority's reviews of other PABs during 2008.

While the Authority's responses to its findings during the year varied and had regard to, amongst other things, the significance of the issues in question, recommendations tabled and actions taken tended to

be consistent with those tabled and taken respectively by the Authority in the context of similar findings during 2006 and 2007. Consistent with the supervisory model established by the Act, the Authority's focus continued to be on effecting improvements in the relevant PABs' systems and processes rather than on the particulars of specific cases. At period end, a number of these matters remained under active consideration.

Table 5

Summary of principal findings arising from Authority supervisory review activities - 2008

Category/Summary Finding		Authority response
1. <i>Monitoring (i.e. RABs' monitoring of the quality of members' and member firms' audit work)</i>		
1.1	Weaknesses and deficiencies in the processes and procedures for performing quality assurance reviews of member firms.	The Authority recommended that specified measures and procedures be put in place to strengthen quality assurance processes and to facilitate external review of same.
1.2	Non-compliance with internally set cycles of quality assurance reviews of member firms.	Having established the underlying causes of non-compliance, and where specific proposals had been furnished to the Authority as to how issues arising might be addressed, the Authority monitored progress of same during the course of the year. In other instances, the Authority was continuing to engage with relevant parties at year end - with particular emphasis on the quality assurance cycle requirements of the EU Statutory Audit Directive.



Category/Summary Finding	Authority response
2. Investigation and Discipline	
2.1 Issues relating to the Authority's right of attendance at the PABs' regulatory Committees	Unrestricted access to meetings of the PABs' regulatory Committees is fundamental to the Authority's ability to fulfil its statutory mandate to supervise the operation of the bodies' investigation and disciplinary procedures. For that reason, in approving the PABs' constitutional documents, the Authority requires that those documents expressly provide for the Authority's unrestricted right of access to, and attendance at, all meetings, hearings and other proceedings of any Committees, Tribunals and similar bodies (howsoever called) having a role in the regulation, monitoring or discipline of members of the PABs. Where issues of this nature arose during the year, they were dealt with in accordance with the foregoing policy.
2.2 Delays in the processing of complaints received from members of the public regarding members and member firms.	Having established the cause of such delays, the Authority monitored the steps being taken by the bodies' management to address the issues arising and, in a number of cases, was continuing to do so at year end.
2.3 Issues relating to the composition of Investigation, Disciplinary and Appeal Committees.	In the course of its supervisory activities, the Authority considers, amongst other things, whether bodies' Investigation, Disciplinary and Appeal Committees comprise a majority of lay ¹⁸ members. Where this was identified as not being the case, the Authority engaged with the relevant bodies with a view to bringing about the necessary changes to their investigation and disciplinary arrangements. Certain of these engagements were ongoing at year end.

¹⁸ i.e., persons who are not members of the PAB concerned.

Category/Summary Finding	Authority response
2. Investigation and Discipline	
2.4 Issues relating to whether PABs' investigation and disciplinary procedures require the proceedings of Disciplinary and Appeal Committees to be held in public by default.	Where it was identified that the operation of Disciplinary and Appeals Committees is not provided for as being required to be held in public by default, the Authority engaged with the relevant bodies with a view to bringing about the necessary changes to their investigation and disciplinary arrangements in the interests of transparency.
3. Licensing and registration	
3.1 Issues relating to the RABs' licensing and registration of members and member firms.	The Authority engaged with bodies' management and governing bodies with a view to addressing a number of issues arising under this category and, in a number of cases, was continuing to do so at year end.

4. Responses to issues of public interest or otherwise of particular significance

The regulatory model 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); and
- the Authority is responsible for supervising the PABs' investigative and disciplinary activities and, specifically, for ensuring that the PABs' approved procedures are complied with.

Accordingly, 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 cases. In certain instances, however, the PABs' handling of individual cases is judged by the Authority to warrant particular attention, for example, where the underlying matters are connected with a listed entity.

4.1 Anglo Irish Bank Corporation Limited

On 18 December, 2008, Mr. Sean FitzPatrick resigned from the position of Chairman of what was then Anglo Irish Bank Corporation plc ('the Bank'). On 19 December, the Institute of Chartered Accountants in Ireland's Chartered Accountants' Regulatory Board 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, the Bank's Chief Executive, Mr. David Drumm, also resigned. On 23 December, the Authority's Board met to consider its response to these events and, in view of the fact that Mr. Fitzpatrick, Mr. Drumm and Mr. William McAteer (then a director of the Bank and the Bank's Chief Risk Officer) are members of the Institute of Chartered Accountants in Ireland ('ICAI') together with the fact that Ernst & Young, the Bank's auditor, is an ICAI member firm, the Board of the Authority resolved to appoint a senior staff member to observe the ICAI's regulatory response to events at the Bank. The practical effect of the Board's decision is that a senior Authority staff member is in attendance at all meetings of the ICAI's Complaints Committee to observe the 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.

The Authority's right to appoint an observer derives from a Condition attached to the ICAI's recognition by the Authority under Section 192 of the Companies

Act, 1990 ('the 1990 Act'). This Condition, which became effective on 25 July, 2006 provides that:

'Notwithstanding any provision of the Constitution, Bye-laws, Rules, Regulations or other similar instrument (howsoever called) of the Institute, the Institute shall grant to staff, directors and other nominated representatives of the Supervisory Authority:

- a. unrestricted access to attend and observe at all meetings, hearings and other proceedings of any committees, tribunals and similar bodies (howsoever called) having a role in the regulation, monitoring or discipline of members of the Institute ('Institute regulatory bodies'),*
- b. unrestricted access to all records, in whatever form (including transcripts and minutes) of all meetings, hearings and other proceedings of any Institute regulatory bodies, including for the purposes of taking copies of those records*

irrespective of whether such meetings, hearings, other proceedings or records are open to the public or otherwise.'

At year end the Authority was continuing to closely monitor the ICAI's regulatory response to events at the Bank.

4.2 Other issues relating to listed entities

During the year the Authority also took a specific interest in monitoring relevant PABs' regulatory responses to the following:

- the Supreme Court's finding that information in the possession of Mr. James Flavin (an ICAI member) relating to the business of Fyffes plc, on three dates in February, 2000, when Mr. Flavin dealt in the shares of Fyffes plc, was price-sensitive *vis-à-vis* those shares¹⁹ and the subsequent appointment on 29 July, 2008 of a High Court inspector to DCC plc, S&L Investments Limited and Lotus Green Limited;
- the public announcement by Greencore Group plc on 25 June, 2008 to the effect that it had *'...uncovered a deliberate concealment of costs at its Mineral Water business which has led to a material misstatement of financial performance covering the financial years 2006, 2007 and the current financial year'*. The announcement further stated that *'The investigation indicates that this concealment of costs was undertaken by the former financial controller of the Mineral Water business who left the business prior to the concealment being uncovered'*. In response to this announcement, the Authority initiated contacts with:
 - the ICAI, given that PricewaterhouseCoopers, former auditor to Greencore Group plc, is an ICAI member firm;
 - the Institute of Chartered Accountants in England & Wales (ICAEW), given that PricewaterhouseCoopers LLP, former auditor of the Group's mineral water subsidiary, is an ICAEW member firm; and
 - the Chartered Institute of Management Accountants (CIMA), given that the former financial controller referred to in Greencore Group plc's announcement of 25 June, 2008 is a member of that body (a fact established through the Authority's enquiries in response to the announcement);
 - the announcement in July 2007 that the US Securities and Exchange Commission had instituted proceedings against the auditors of SmartForce plc, Ernst & Young (an ICAI member firm), Mr. Denis O'Hogan, an Ernst & Young partner (an ICAI member) and two SmartForce plc executives, Messrs Eric Murphy and Jack Hayes (both of whom are ICAI members).

At year end, the Authority was continuing to monitor the affected PABs' regulatory responses to these matters.

4.3 Global credit crisis and the domestic and international economic downturn

Preparers of financial reports are doing so against a background of continuing market uncertainty, reduced access to credit and a weak domestic and international economic environment, each of which give rise to significant challenges in the context of financial reporting and to associated risks of material misstatement in financial reports. Associated with these challenges and risks are corresponding challenges and risks for auditors, principal amongst which is a resultant elevation of audit risk levels.

¹⁹ Ms. Justice Susan Denham's Judgement Reference Number 144/06 refers.

Given that, under the prevailing quality assurance arrangements, responsibility for monitoring the quality of audit firms' work resides with the RABs, the Authority responded to the increased challenges and risk levels facing auditors by engaging with those of the RABs whose member firms account for the overwhelming majority of audits carried out in the State (i.e. ACCA, ICAI, ICPAI and IIPA). The purpose of the Authority's engagement was twofold, i.e. to:

- emphasise to the RABs that, as the entities with responsibility for monitoring audit firms' work, the RABs need to design and implement appropriate monitoring and associated responses to the changed conditions and to do so in a timely manner; and
- enable the Authority to gain an understanding of the respective RABs' responses and to share perspectives in that regard.

In engaging with the RABs, the Authority laid a particular emphasis on engaging with the ICAI given that its four largest member firms²⁰ audit the substantial majority of entities listed on the main market of the Irish Stock Exchange. In that context, in addition to ongoing engagement with the ICAI regarding its response, the Authority also met with senior representatives of the four firms with a view to obtaining a better understanding of the firms':

- assessment of the causes and significance of increased audit risk;

- perspectives on the practical challenges associated with those risks; and
- responses to those risks, at both firm and individual audit engagement level (particularly with reference to the audits of listed entities).

Notwithstanding that the Authority does not have a direct supervisory relationship with the firms referred to above, the firms were open to direct engagement with the Authority and the Authority considers such direct engagement to have been a positive development. Consistent with its views on the European Commission's Recommendation on external quality assurance of auditors of public interest entities, the Authority considers that greater levels of direct engagement with the firms will be necessary in the future in order to reflect what is increasingly considered to be best practice both in the EU and internationally. The Authority's discussion with the firms, which took place in December 2008, was wide ranging and served to provide both the Authority and the ICAI with a better understanding of the individual firms' responses to the challenges and risks referred to above. Issues discussed included:

- Firms' responses to areas of identified increased risk:
 - arising from international market conditions;
 - arising from the domestic economic downturn;
 - arising from the application of accounting standards;

²⁰ Deloitte, Ernst & Young, KMPG and PricewaterhouseCoopers.

- arising from other factors; and
 - at firm and individual audit engagement level.
- Going concern:
 - firms' policies and procedures with regard to the audit of going concern; and
 - firms' assessments of the likely impact of future lending practices of the banks on non-banking entities.
- Valuation of assets and impairments:
 - firms' policies and procedures with regard to the audit of valuation models;
 - details of changes and modifications to the firms' policies and procedures with regard to the audit of accounting estimates;
 - details of changes and modifications to firms' policies and procedures in the context of illiquid markets and circumstances where objectively verifiable inputs may not be available; and
 - other critical accounting issues.
- Reliance on use of experts and other auditors:
 - firms' policies and procedures with regard to reliance upon internal audit;
 - details of changes in approach towards the use of third party experts;
 - firms' policies and procedures regarding the possible need for increased internal seniority/experience on particular engagement teams; and
 - firms' observations of any additional challenges/risks associated with the audit of

group financial statements in the current climate and the firms' responses to any such identified additional challenges/risks.

5. Approval related activities

5.1 Overview of the Authority's approval activities

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

- the constitution 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 structures, thereby contributing to the further 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 Auditing²¹; and
- relevant legal requirements.

By its nature, the approvals process requires significant resources and attention from both the Authority and the PABs. In that context, there have been significant efforts by both the PABs and the Authority in seeking to ensure that the process is as time efficient as possible, whilst at all times maintaining a level of rigorousness deemed to be necessary and appropriate by the Authority.

As in previous years, the Authority's approval activities during 2008 identified a number of significant issues and, in the case of a number of the PABs, the process provided an opportunity for the bodies concerned to perform a thorough review and restructuring of their constitutional and related

documents. In addition to identifying a range of substantive issues, the Authority's reviews also contributed towards improving the overall standard, quality and clarity of a number of the PABs' constitutional documents, Bye-laws and standards by, for example:

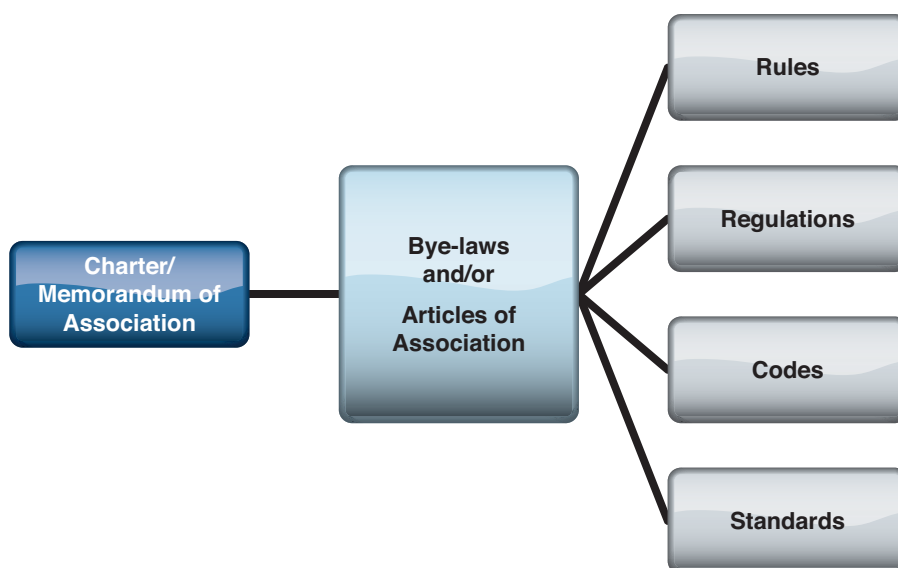
- enhancing transparency and ease of use;
- eliminating conflict and/or inconsistency between the provisions of individual documents;
- reducing ambiguity in the drafting of certain provisions; and
- removing unnecessary repetition and duplication of provisions between individual documents.

The restructuring and review of the constitutional documents of certain PABs is proving to be a time-consuming process for both the Authority and the PABs and, in that context, at year end the Authority was continuing to liaise with the PABs on a bilateral basis.

5.2 Structure of PABs' constitutional documents

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

²¹ 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.



5.3 Approvals

During the year the Authority granted its approval in respect of the following:

Table 6
Approvals granted

	2008	2007
Charters	0	1
Memoranda of Association	1	1
Articles of Association	1	1
Sets of existing full-suite Bye-laws	1	1
Sets of amended Bye-laws	2	2
Sets of Regulations	1	10
Sets of amended Regulations	11	7
Codes of Ethics and Conduct	1	1
Amended Codes of Ethics and Conduct	1	0
Total	19	24

Table 7

Approval related matters initiated and ongoing at year end

	2008	2007
Charters	2	0
Memoranda of Association	1	2
Articles of Association	1	2
Sets of existing full-suite Bye-laws	4	3
Sets of proposed amendments to Bye-laws	1	1
Sets of Regulations	10	0
Sets of proposed amendments to Regulations	1	2
Codes of Ethics and Conduct	2	0
Proposed amendments to Codes of Ethics and Conduct	1	0
Total	23	10

In addition to the foregoing, at year end, reviews of the following had either been initiated or were ongoing:

A range of issues were identified through the Authority's review of constitutional documents presented for approval by the PABs, resulting in the Authority considering it necessary to request a number of PABs to undertake detailed reviews of their constitutional documents and underlying arrangements in advance of granting its approval.

Examples of issues arising included:

- lack of clarity about, or absence of delegation for, underlying processes;
- ambiguity in relation to the PABs' corporate governance structures, in particular with regard to functions, powers and reporting obligations;
- conflict and/or inconsistency between the provisions of individual documents;
- ambiguity in the drafting of provisions;
- unnecessary repetition and duplication of provisions between individual documents;

The Authority has engaged with relevant PABs' management and governing bodies with a view to addressing the issues arising and, in a number of cases, was continuing to do so at year end.

6. Approval related activities and Supervisory Reviews – position as at 31 December, 2008

Set out in Table 8 across is a summary of the overall position relating to each of the PABs at year end. As can be seen from the Table, the Authority has to date

allocated its limited resources in a manner such that its review and approval activities have been principally focussed on those PABs having the largest presence in the State (in membership terms). As a result, at year end:

- supervisory reviews of four of the PABs (whose aggregate membership accounts for 97% of the PABs' aggregate membership in the State) had been completed with two further reviews in progress (one of which was substantially complete at year end);
- the constitutions of four PABs (whose aggregate membership accounts for 84% of the PABs' aggregate membership in the State) had been fully approved;
- the Bye-laws and Regulations of three PABs (whose membership accounts for 72% of the PABs' aggregate membership in the State) had been fully approved;
- a further four PABs had been advised that, based on the Authority's initial examination of their constitutional documents, their governing bodies need to undertake detailed reviews of those documents in advance of submitting same for the Authority's approval.

Table 8

Supervisory reviews and approvals – position as at 31 December, 2008

PAB	Members in the State	% of PABs' aggregate members in the State	First supervisory review complete	Constitution ²² approved	Bye-laws & Regulations approved
ICAI	12,049	44.01%	Yes	Yes	Yes
ACCA	7,437	27.17%	Yes	Yes	Yes
CIMA	3,708	13.54%	Yes	In progress ²³	In progress ²³
ICPAI	3,281	11.98%	Yes	Yes	In progress ²³
	26,475	96.70%			
ICAEW	429	1.57%	No	No	No
IIPA	211	0.77%	In progress ²³	In progress ²³	In progress ²³
AIA	127	0.46%	No	Yes	Yes
CIPFA	71	0.26%	In progress ²³	In progress ²³	In progress ²³
ICAS	64	0.23%	No	No	No
Total	27,377	100%			

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 otherwise.

The Authority received 18 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 Tables below. 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.

²² The term 'Constitution' refers to, *inter alia*, the Charter (in the case of Chartered bodies), the Memorandum & Articles of Association (in the case of PABs constituted as companies).

²³ A detailed review has been undertaken and work is continuing with the PAB to resolve any issues arising.



Table 9
Complaints received

	2008	2007
Complaints on hand at beginning of year	7	4
Complaints received during the year	18	18
Complaints closed during the year	<u>(20)</u>	<u>(15)</u>
Complaints on hand at year end	<u>5</u>	<u>7</u>
Analysed by:		
Complaints under consideration by the Executive at year end	2	3
Complaints referred to the section 23 process	<u>3</u>	<u>4</u>
Complaints on hand at year end	<u>5</u>	<u>7</u>

7.2 Complaints received

Details of complaints received during the year, together with comparative data in respect of the year ended 31 December, 2007, are set out in Table 9.

At year end, three matters remained under consideration by Authority Committees in accordance with the provisions of the Companies (Auditing and Accounting) Act, 2003 (Procedures Governing the Conduct of Section 23 Enquiries) Regulations, 2007.

An overview of the section 23 Enquiries is set out in detail in section 8 below.

7.3 Complaints closed

As can be seen from the Table above, a total of 20 complaints were closed during the year. The manner in which those complaints were closed is analysed in the Table 10.

Table 10
Complaints closed

	2008	2007
Referral to relevant PAB ²⁴	10	8
Referral to another regulatory/enforcement body	3	0
Pursued with the relevant PAB as a regulatory matter	1	7
Complaint withdrawn by complainant	1	0
Closure by a relevant section 23 Preliminary Enquiry Committee	2	0
Outside the remit of the Authority	<u>3</u>	<u>0</u>
Complaints closed during the year	<u>20</u>	<u>15</u>

²⁴ 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 Table 11 is an analysis of the nature of issues giving rise to complaints made to the Authority during the year.

Table 11
Nature of issues giving rise to complaints

	Total	Active at year end	Closed
Failure to release client documentation	2	0	2
Allegation of unsatisfactory work	8	0	8
Alleged delays in PABs' disciplinary processes	1	1	0
Dissatisfaction with some other aspect of the PABs' disciplinary procedures	3	0	3
Alleged breach of standards by a PAB member/member firm	2	1	1
Dissatisfaction with fees charged	2	0	2
Total	18	2	16

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

Over the course of 2008, the Authority received a total of 81 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.

In a number of cases, the Authority had certain concerns regarding the manner in which these matters were being dealt with by certain of the RABs and at year end these matters were the subject of ongoing examination in the context of the Authority's supervision of the RABs concerned.

Set out in Table 12 is a summary of referrals received from the ODCE, analysed by RAB and subject matter.



Table 12
Summary of referrals from the ODCE - 2008

Subject matter of referral	ICAI	ICPAI	ACCA	IIPA	Total
Provision by auditors of audit reports not appropriate to audited entities' legal structure (i.e. companies limited by guarantee and public companies)	50	14	7	3	74
Miscellaneous other matters	0	3	3	1	7
Total	50	17	10	4	81

8. Statutory Enquiries & Investigations

8.1 Conduct of section 23 Enquiries

A detailed overview of the section 23 process, which is concerned with enquiring into whether PABs have failed to comply with their approved investigation and disciplinary procedures, was set out in the Authority's 2007 Annual Report²⁵ and for that reason is not reproduced in this Report. The procedures to be followed in conducting enquiries under Section 23 are set out in the Authority's section 23 Regulations, which have been published as a Statutory Instrument (*Companies (Auditing and Accounting) Act, 2003 (Procedures Governing the Conduct of Section 23 Enquiries) Regulations, 2007*)²⁶.

Since the publication of the Regulations, five matters (concerning two PABs) have been referred by the Authority to the section 23 process. In response to

those referrals, the Board has established three separate Preliminary Enquiry Committees ('PEC')²⁷. The status of those matters at 31 December 2008 was as follows:

Matters referred to the section 23 process to date	5
Matters determined by a PEC to be outside the Authority's remit ²⁸	(2)
Section 23 Enquiries ongoing at 31 December, 2008	<u>3</u>
Analysed by:	
Matters in respect of which PECs have determined a <i>prima facie</i> case to exist and which, therefore, require the establishment of Full Enquiry Committees	2
Preliminary Enquiry ongoing	<u>1</u>
Section 23 Enquiries ongoing at 31 December, 2008	<u>3</u>

²⁵ The Authority's 2007 Annual report can be accessed at <http://www.iaasa.ie/publications/index.htm>

²⁶ The Statutory Instrument is available at http://www.iaasa.ie/legislation/si667_2007.pdf

²⁷ Membership of the Authority's PECs is set out in Chapter 1 of this Report.

²⁸ These two matters came to the Authority's attention by way of complaints from the public. In both cases, the alleged instances of non-compliance with investigation and disciplinary procedures (which related to the same PAB) occurred prior to the enactment of the Act. That being the case, the Authority took legal advice and was advised that, by virtue of the investigation and disciplinary process of the PAB concerned having concluded prior to the enactment of the Act, examination of these matters was *ultra vires* the Authority.

As per the above, PECs determined during the course of the year that, in two instances, there exist *prima facie* cases of breaches of a PAB's investigation and disciplinary procedures. These PEC findings relate to:

- i the handling by the ICAI of a complaint made against an Institute member firm; and
- ii the handling by the ICAI of a complaint made against an Institute member.

In response to the above PEC findings, and in accordance with the Authority's Section 23 Regulations, at its September and October 2008 meetings respectively, the Board resolved to establish Full Enquiry Committees to undertake Full Enquiries into these matters. Further to those decisions, at year end the Authority had invited expressions of interest from suitably qualified and experienced persons interested in being appointed as independent external appointees to Enquiry Committees. Details of the membership of the Authority's two Full Enquiry Committees, which were constituted post year end, are set out in Chapter 1 of this Report.

8.2 Interim Section 24 Regulations

Section 24 of the Act provides that the Authority may, if considered appropriate or otherwise in the public interest, undertake an investigation into a possible breach of a PAB's standards by a member. As is the case with section 23 Enquiries, section 28(4) of the

Act provides that the Authority shall make Regulations respecting the procedures to be followed in conducting a section 24 Investigation.

In September 2008, the Authority published draft Section 24 Regulations and invited interested parties' views thereon as well as on a range of associated issues. Pending completion of the consultation exercise, the Authority resolved to adopt the draft Regulations as Interim Regulations²⁹, with the Interim Regulations to be superseded by the final, post-consultation, Regulations. At year end, the consultation process had closed (with the Authority receiving a total of 9 responses – a list of respondents to the consultation exercise is set out at Appendix 1 to this Report) and respondents' submissions were being considered.

9. Queries from members of the public

The Authority received a total of 87 queries from members of the public during the year relating to its supervisory remit over the PABs. The nature of queries received during the year is analysed in Table 13.

²⁹ The Authority's Interim section 24 Regulations can be accessed at http://www.iaasa.ie/legislation/S24_Regs.pdf

Table 13
Nature of queries received

	2008	2007
Regarding the Companies (Auditing and Accounting) Act, 2003 and/or the Companies Acts generally	33	46
Relating to PABs or individual accountants/auditors	23	27
Regarding the Authority's role or the Authority's and the PABs' respective roles	15	12
Regarding how to lodge a complaint with the Authority and/or the PABs	10	2
Relating to the functions of other regulatory bodies	2	1
Miscellaneous	4	4
Total	87	92

10. PABs' Annual Return process

10.1 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.

10.2 Annual Returns – Individually Authorised Auditors

The Authority also requests annual returns from individuals, who, whilst not 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.

11. Considering applications for RAB status

11.1 Relevant legislative provisions

Section 187 of the 1990 Act provides that a person shall not be qualified for appointment as an auditor of a company unless s/he is a member of a body of accountants for the time being recognised by the Authority. Section 191 of the 1990 Act provides that the Authority may grant recognition to a body of accountants but only if satisfied regarding certain matters, including the applicant body's standards relating to training, qualifications and repute and the applicant body's standards as applied to its members in the areas of ethics, codes of conduct and practice, independence, professional integrity, auditing standards, accounting standards and its investigation and disciplinary procedures.

11.2 Application for RAB status

At 1 January 2008 the Authority had one application for recognition on hand, consideration of which was at an advanced stage. During January 2008 the applicant body withdrew its application.

12. Co-operation activities

12.1 Overview

As part of its ongoing supervisory work 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:

- Office of the Director of Corporate Enforcement ('ODCE');
- Financial Regulator ('FR');
- European Group of Auditors' Oversight Bodies ('EAOB');
- International Forum of Independent Audit Regulators ('IFIAR');
- UK Professional Oversight Board ('POB');
- Auditing Practices Board ('APB'); and
- US Public Company Accounting Oversight Board ('PCAOB').

12.2 Office of the Director of Corporate Enforcement

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's functions, the Authority refers such matters to the ODCE. During the year, 3 referrals were made to the ODCE.

12.3 Financial Regulator

For the purpose of facilitating co-operation, the Authority entered into a Memorandum of Understanding with the FR in June 2008. Where issues arise in the course of the Authority's ongoing supervisory work that are considered to be connected with the FR's functions, the Authority refers such matters to the FR. During the year, 2 referrals were made to the FR.

12.4 European Group of Auditors' Oversight Bodies

During the year the Authority continued to be an active participant in the EGAOB, an expert group established by the EU 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 Report¹⁶ and for that reason are not reproduced in this Report. The main work of the EGAOB during 2008 related to issues arising from the practical application of the Statutory Audit Directive. Chapter 5 provides further detail on the status of transposition of the Statutory Audit Directive in Ireland, including the Authority's view on the European Commission's Recommendation on external quality assurance of auditors of public interest entities.

12.5 International Forum of Independent Audit Regulators

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.

12.6 UK Professional Oversight Board

For the purpose of facilitating co-operation, the Authority entered into a Memorandum of Understanding with the POB in June 2008. During the year, three liaison meetings took place between the organisations - in May, June and November 2008. In addition, the Authority made 1 statutory referral to the POB during the year.

12.7 Auditing Practices Board

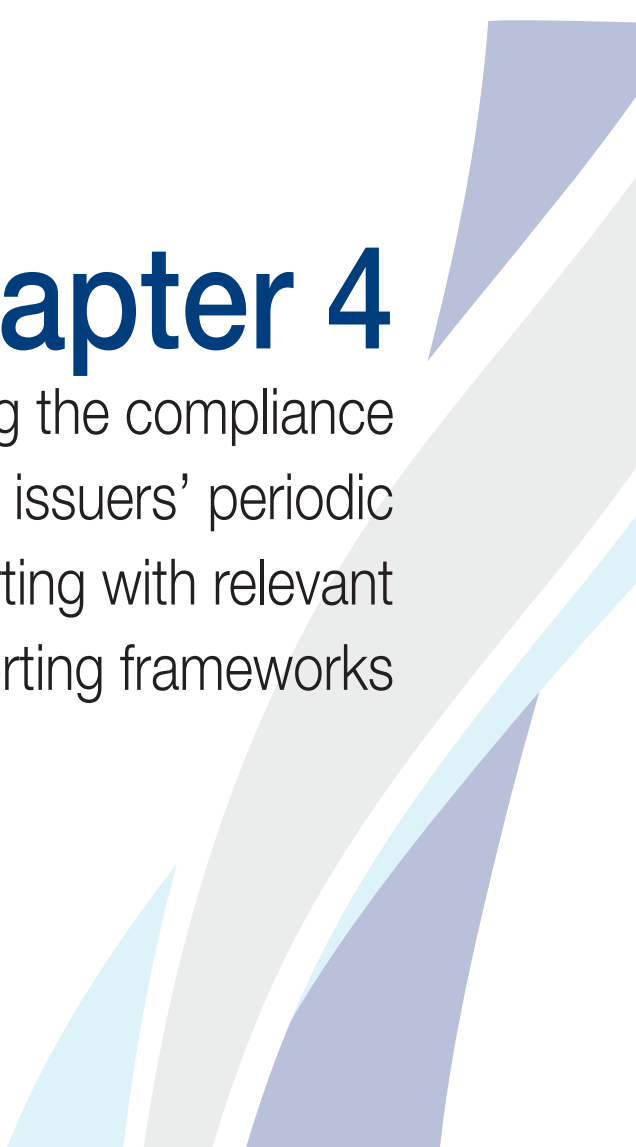
During the year, the Authority continued to act as an observer at APB meetings, an activity that facilitates the Authority in discharging its role of co-operating in the development of auditing standards and to identifying at an early stage developments that may have a particular relevance to, or bearing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

12.8 US Public Company Accounting Oversight Board

During the year the Authority continued its ongoing engagement with the PCAOB on a range of issues, including the PCAOB's programme of inspections of Irish firms.

Chapter 4

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



Chapter 4

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 IFRS³⁰ and Irish GAAP³¹) and legislation. Other activities include co-operation with EU counterparts, primarily for the purpose of promoting the consistent enforcement of IFRS across the European Union and the statutory function of co-operating in the development of accounting standards. The following sections discuss each of these roles in further detail.

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 Report³², it is not reproduced in this Report. In summary, the Transparency (Directive 2004/109/EC) Regulations, 2007 ('the Regulations') provide that '*IAASA shall examine information drawn up pursuant to Regulations 4 to 8 [i.e. annual and half-yearly financial reports] by issuers whose home Member State is the State for the purpose of considering whether such information is in accordance with the relevant reporting framework*'³³. Throughout the remainder of this Chapter, those entities coming within the Authority's remit under the Regulations are referred to as 'issuers'.

2.2 Scope of the Directive

The Directive applies to issuers whose securities³⁴ have been admitted to trading on a regulated market situated, or operating, within the EU. Table 14 sets

³⁰ International Financial Reporting Standards.

³¹ 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').

³² The Authority's 2007 Annual Report can be accessed at http://www.iaasa.eu/publications/Annual_Report2007.pdf

³³ Regulation 42(2) refers.

³⁴ Regulation 2 provides that "securities" means transferable securities as defined in Article 4(1), point 18, of Directive 2004/39/EC ...with the exception of money-market instruments, as defined in Article 4(1), point 19, of that Directive having a maturity of less than 12 months'. Article 4(1), point 18 defines transferable securities as 'those classes of securities which are negotiable on the capital market, with the exception of instruments of payment, such as: (a) shares in companies and other securities equivalent to shares in companies, partnerships or other entities, and depositary receipts in respect of shares; (b) bonds or other forms of securitised debt, including depositary receipts in respect of such securities; (c) any other securities giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measures.' Article 4(1), point 19, defines money market instruments as 'those classes of instruments which are normally dealt in on the money market, such as treasury bills, certificates of deposit and commercial papers and excluding instruments of payment'.



Table 14**Authority's financial reporting review constituency as at 31 December, 2008³⁶**

Issuer Category	Number of issuers in category	Half-yearly financial reports issued per annum	Annual financial reports issued per annum	Total number of periodic financial reports issued per annum
Equity	35	35	35	70
Fund	56	56	56	112
Debt	134	84 ³⁷	134	218
Total	225	175	225	400

out, in approximate terms, as at 31 December, 2008 the scale of the review constituency as notified to the Authority by the Irish Stock Exchange ('ISE') on behalf of the Financial Regulator³⁵. This data excludes certain issuers whose home Member State is the State (by virtue of having been incorporated in the State) 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.

2.3 Approach towards selecting issuers' periodic financial reports for review

When determining which issuers' periodic financial reports will be the subject of a full review, the Authority uses a risk based approach, which is supplemented by cyclical and random selections. 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 Finan-*

cial Reporting Requirements of the EU Transparency Directive and IAASA's role under the Directive'³⁸.

Depending upon risk factors identified and other relevant considerations, reviews performed by the Authority can be broadly categorised as being either full reviews or follow up reviews (the latter being reviews for the purpose of assessing whether undertakings provided by issuers' directors on foot of previous reviews have been fulfilled in subsequent periodic financial reports of that issuer or related issuers).

2.4 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

³⁵ The Financial Regulator has chosen to delegate certain of its functions under the Regulations to the Irish Stock Exchange.

³⁶ Excluding certain issuers whose home Member State is the State 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.

³⁷ Certain debt issuers are exempt from the requirement to make public half-yearly financial reports for a period of 10 years. Consequently, the number of debt issuers required to file half-yearly financial reports is less than that required to file annual reports.

³⁸ Available at http://www.iaasa.ie/publications/IAASA_TD_Guide.pdf or upon request.

Authority corresponds with those charged with the issuer's governance, i.e. the directors. 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 issues raised or, as is frequently the case, directors' responses require further elaboration or clarification, the Authority enters into further correspondence with the directors until such time as all necessary information, clarifications and/or explanations necessary to enable an assessment to be made as to whether the report is in compliance with the relevant reporting framework have been obtained.

In the context of the foregoing, 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, on occasion, and 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.

2.5 Periodic financial reports received during the year

Set out in Table 15 are details of the number of periodic financial reports received by the Authority from the ISE during the year ended 31 December, 2008, together with comparative data in respect of the previous period (i.e. the period from September, 2007, when issuers' reporting requirements effectively commenced, to 31 December, 2007).

Table 15

Periodic financial reports received from the ISE³⁹

Issuer category	Annual Reports	2008 Half-Yearly Reports	Total	Annual Reports	2007 Half-Yearly Reports	Total
Equity	6	36	42	0	6	6
Fund	22	61	83	0	16	16
Debt	28	87	115	0	2	2
Total	56	184	240	0	24	24

³⁹ Issuers are required to file their periodic financial reports with the ISE rather than with the Authority. Upon receipt of reports, the ISE forwards such reports to the Authority. Accordingly, references in this table are to periodic financial reports received by the Authority. Where an issuer fails to file a periodic financial report with the ISE in accordance with the Regulations' requirements, enforcement of that failure is a matter for the Financial Regulator.



2.6 Overview of review activity during the year

Given the phased manner in which the Regulations were implemented (i.e. with the effective date of the Regulations being contingent upon each issuer's financial reporting period), the majority of issuers had not been required to publish their first annual financial reports under the new requirements by year end. Consequently, while the Authority did undertake a number of reviews of annual financial reports during the year, the Authority's supervisory activities during the year under review concentrated in the main on issuers' half-yearly financial reports.

Of relevance in the context of the foregoing is that the majority of periodic financial reports received during the year had been prepared under either IFRS or Irish GAAP, with a small number having been prepared under third country GAAP, most notably US GAAP.

Set out in the Table 16 are summary details of the Authority's review activity during the year.

2.7 Issuers reviewed

Set out in Table 17 across is a list of issuers whose periodic financial reports were reviewed during the year and whose reviews had, by year end, either been completed or substantially completed⁴⁰.

Table 16
Summary of the Authority's review activity - 2008

Half-Yearly Financial Reports	Equity	Fund	Debt	Total
Reviews ongoing at 1 January, 2008	3	8	0	11
Reviews commenced during 2008	8	10	18	36
Reviews ongoing at 31 December, 2008	(1)	(3)	(0)	(4)
Total number of reviews completed during the year	10	15	18	43
Annual Financial Reports	Equity	Fund	Debt	Total
Reviews ongoing at 1 January, 2008	0	0	0	0
Reviews commenced during 2008	5	4	1	10
Reviews ongoing at 31 December, 2008	(0)	(2)	(0)	(2)
Total number of reviews completed during the year	5	2	1	8
Total number of reviews completed during 2008	15	17	19	51

⁴⁰ 'Substantially completed' means that the review had been completed and (i) where correspondence was considered necessary, correspondence had issued by year end; or (ii) where correspondence was not considered necessary, a determination to that effect had been made by year end.

Table 17
List of issuers reviewed - 2008

Issuer	Financial report type	Issuer type	Review type ⁴¹	Period end	Correspondence issued ⁴²
Governor and Company of the Bank of Ireland	Annual	Equity	Full ⁴³	31/03/2008	Yes
Ryanair Holdings plc	Annual	Equity	Full	31/03/2008	Yes
C&C Group plc	Half-yearly Annual	Equity	Full Follow-up ⁴⁴	31/08/2007 29/02/2008	Yes Yes
DCC plc	Half-yearly Annual	Equity	Full Follow-up	30/09/2007 31/03/2008	Yes Yes
Oglesby & Butler Group plc	Half-yearly Annual	Equity	Full Full	30/09/2007 31/03/2008	Yes Yes
Allied Irish Banks plc	Half-yearly	Equity	Full	30/06/2008	Yes
Anglo Irish Bank Corporation plc	Half-yearly	Equity	Full	31/03/2008	Yes
CRH plc	Half-yearly	Equity	Full	30/06/2008	Yes
Greencore Group plc	Half-yearly	Equity	Full	28/03/2008	No
IAWS Group plc	Half-yearly	Equity	Full	31/01/2008	Yes
Independent News & Media plc	Half-yearly	Equity	Full	30/06/2008	No
Kingspan Group plc	Half-yearly	Equity	Full	30/06/2008	Yes
Waterford Wedgwood plc	Half-yearly	Equity	Single-issue ⁴⁵	04/10/2008	Yes
Waves Financial Investments plc	Half-yearly Annual	Debt	Full Follow-up	31/10/2007 30/04/2008	Yes No
Amethyst Structured Finance plc	Half-yearly	Debt	Full	31/10/2007	Yes

⁴¹ See section 2.3 for an explanation of each type of review.

⁴² 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, on occasion and 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.

⁴³ Indicates that the issuer's financial report was the subject of a full review.

⁴⁴ Indicates that the review followed on from a review of an earlier financial report.

⁴⁵ Indicates that, rather than a full review, the issuer's financial report was reviewed with reference to one particular issue.

Issuer	Financial report type	Issuer type	Review type ⁴¹	Period end	Correspondence issued ⁴²
Arcade Finance plc	Half-yearly	Debt	Full	31/10/2007	Yes
Beechwood Structured Finance plc	Half-yearly	Debt	Full	31/10/2007	Yes
Brookfields Capital plc	Half-yearly	Debt	Full	31/10/2007	Yes
Eperon Finance plc	Half-yearly	Debt	Full	31/10/2007	Yes
Equinox Credit Funding plc	Half-yearly	Debt	Full	31/03/2008	Yes
Espaccio Securities plc	Half-yearly	Debt	Full	31/10/2007	Yes
Greenstreet Structured Finance plc	Half-yearly	Debt	Full	31/10/2007	Yes
Nimrod Capital plc	Half-yearly	Debt	Full	31/10/2007	Yes
Opal Financial Products plc	Half-yearly	Debt	Full	31/10/2007	Yes
Profile Finance plc	Half-yearly	Debt	Full	31/10/2007	Yes
Recolte Securities plc	Half-yearly	Debt	Full	31/10/2007	Yes
Silverstate Financial Investments plc	Half-yearly	Debt	Full	31/10/2007	Yes
Vespucci Structured Financial Products plc	Half-yearly	Debt	Full	31/10/2007	Yes
Vigado Capital plc	Half-yearly	Debt	Full	31/10/2007	Yes
Voyce Investments plc	Half-yearly	Debt	Full	31/10/2007	Yes
Waterford Capital Investments plc	Half-yearly	Debt	Full	31/10/2007	Yes
Aldermanbury Structured Returns plc	Annual	Fund	Full	31/03/2008	Yes
Carador plc	Half-yearly	Fund	Full	30/09/2007	No
	Annual		Full	31/03/2008	Yes
	Half-yearly		Full	30/09/2008	Yes
Legal & General UK Growth IV plc	Half-yearly	Fund	Full	28/07/2007	Yes
	Annual		Follow-up	28/01/2008	No
SVG Diamond Private Equity III plc	Half-yearly	Fund	Full	30/09/2007	No
	Annual		Full	31/03/2008	Yes
	Half-yearly		Follow-up	30/09/2008	No

Issuer	Financial report type	Issuer type	Review type ⁴¹	Period end	Correspondence issued ⁴²
Schroder Private Equity Funds plc	Half-yearly	Fund	Follow-up	30/09/2008	No
Census Investments 26 plc	Half-yearly	Fund	Full	31/01/2008	Yes
Great Lakes II LLC	Half-yearly	Fund	Full	30/06/2008	Yes
HSBC Structured Products Series plc	Half-yearly	Fund	Full	09/09/2007	Yes
Legal & General UK Growth II plc	Half-yearly	Fund	Full	05/08/2007	Yes
Legal & General UK Growth plc	Half-yearly	Fund	Full	31/08/2007	Yes
Preff Pan-European Real Estate Fund of Funds plc	Half-yearly	Fund	Full	30/09/2007	Yes
PXP Vietnam Fund Limited	Half-yearly	Fund	Full	31/03/2008	Yes
Schroder Private Equity Fund of Funds IV plc	Half-yearly	Fund	Full	31/03/2008	Yes
St Andrew's Investment Company 3 plc	Half-yearly	Fund	Full	31/03/2008	Yes
York Enhanced Strategies Feeder Fund (Cayman) Ltd	Half-yearly	Fund	Full	30/06/2008	Yes
Legal & General UK Capital Growth III plc	Half-yearly Half-yearly	Fund	Full Follow-up	28/09/2007 28/09/2008	Yes No

2.8 Authority response to matters arising from reviews of periodic financial reports

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

- securing undertakings from issuers' directors that instances of non-compliance or other deficiencies in periodic financial reporting will not recur in future reports;
- agreeing to the voluntary issuing of amended periodic financial reports, i.e. whereby the issuer's

directors voluntarily agree to publish revised and corrected financial information; and

- invoking the statutory powers provided by the Regulations and under which the Authority can:
 - certify to the High Court an issuer's (or certain other relevant parties') failure to provide requested information and/or explanations; and
 - direct an issuer's directors to prepare and publish an amended periodic financial report,



publish notice of that direction and direct the issuer to pay the 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 matter(s) and the potential impact of those matters on the users of the relevant financial report. Accordingly, in certain instances the Authority will consider the provision of directors' undertakings in respect of future periodic financial reports to be a proportionate response. In instances of more significant non-compliance or other deficiency, the Authority will encourage the directors to voluntarily publish an amended report in the interests of the users of that report. Clearly, 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 will give consideration to taking formal enforcement action under the Regulations.

Generally speaking, the Authority has to date found issuers' directors to be willing to address identified issues in a manner that is proportionate to those issues and to users' interests. As a consequence and as evidenced in Table 18, the Authority has not, to date, had to exercise its statutory powers of enforcement. Based on its 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.

Set out in Table 18 is a summary of the Authority's response to issues arising from reviews completed during the year.

Table 18
Authority responses to matters arising from reviews completed during 2008

Issuer category	Undertakings provided by issuers' directors in respect of future periodic financial reports	Voluntary publication of amended financial report	Enforced publication of amended financial report
Equity	10	1	0
Fund	11	9	0
Debt	18	18	0
Total	39	28	0

2.9 Improvements in the standard of statutory financial reporting

As has previously been remarked upon by the Authority, whilst review issues are arising across all three categories of issuer, broadly speaking, funds and debt issuers have shown the greatest need to improve the standard of their statutory financial reporting.

As a result of the Authority's review activity to date, in the period since the Regulations became effective there has already been a tangible improvement in the standard of statutory financial reporting on the public record through the voluntary publication of 28 amended financial reports. Over the coming year the Authority expects to see a further tangible improvement in the overall standard of financial reporting in Ireland as a result of:

- ongoing risk based review activities;
- undertakings provided by issuers' directors during the course of 2008 (39 in total) being reflected in affected issuers' subsequent annual and half-yearly financial reports;
- the benefits derived by stakeholders from guidance and feedback material published by the Authority (further details of this material is provided in Chapter 5 of this Report);
- directors' and their professional advisors' heightened awareness of the Authority's activities through ongoing interaction and engagement with stakeholders; and
- issuers' Audit Committees' and Boards' heightened awareness of the risk of potential for enforcement action in instances of non-compliance.

2.10 Matters arising from the Authority's 2008 reviews - preface

Section 2.11 below provides a summary of the principal issues that arose during the course of the Authority's 2008 reviews. While this Report provides details of the identities of issuers reviewed, together with summary details of issues identified and the corrective action taken in response thereto, the Authority does not currently consider it necessary for the promotion of public confidence in statutory financial reporting to link findings to individual issuers. In future reporting periods the Authority will, however, continue to assess the level of disclosure necessary to support public confidence in statutory financial reporting, the extent to which any such further disclosure is permissible under law and, if necessary, whether legislative amendment is required to facilitate such further disclosure.

As detailed in section 2.6 above, in view of the phased implementation of the Regulations, the Authority's supervisory activities during the year concentrated, of necessity, largely on monitoring issuers' half-yearly financial reports. The majority of issuers coming within the Authority's scope have 31 December financial year ends and, consequently, their 31 December, 2008 annual financial reports are the first to come within the Authority's remit.

The following two sections provide a summary of issues arising from the Authority's reviews of annual and half-yearly financial reports respectively and provide details of the requirement/accounting Standard concerned, an outline of the relevant



requirements and a summary of findings together with details of the review outcome.

It should be noted that, notwithstanding that the Authority has conducted reviews of certain issuers

whose periodic financial reports have been prepared under third country GAAP (and, in certain instances, corrective action has been taken by these issuers on foot of Authority reviews), the following issues relate to IFRS and Irish GAAP only.

2.11 Matters arising from the Authority's 2008 reviews – Annual financial reports

Table 19
Issues arising – Annual Financial Reports

Accounting Standard	Outline of requirements under relevant reporting framework	Summary findings/ Review outcome
IFRS 7/FRS 29 <i>'Financial Instruments: Disclosures'</i>	IFRS 7 ⁴⁶ requires disclosures concerning the significance of financial instruments to an entity's financial position and performance.	A range of issues were identified regarding issuers' financial instrument disclosures. Findings in this area resulted in directors' undertakings in respect of future reporting periods.
IAS ⁴⁷ 1 <i>'Presentation of Financial Statements'</i>	In the process of applying selected accounting policies, judgements are made that may significantly affect the amounts recognised in the financial statements. Paragraphs 113 to 116 of IAS 1 ⁴⁸ , require disclosure in periodic financial reports of: a. the judgements that have been made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements; and	Review activity identified that periodic financial reports vary considerably in the extent to which issuers have clearly and comprehensively disclosed the judgements made in preparing financial statements. Findings in this area resulted in directors' undertakings in respect of future reporting periods.

⁴⁶ FRS 29 (IFRS 7) *Financial Instruments: disclosures* is the equivalent Standard for Irish GAAP issuers.

⁴⁷ International Accounting Standard.

⁴⁸ IAS 1 (effective for accounting periods beginning on or after 1 January, 2005). The requirements of paragraph 55(b) of FRS 18 are relevant in this regard for Irish GAAP issuers.

Accounting Standard	Outline of requirements under relevant reporting framework	Summary findings/ Review outcome
IAS 32 ' <i>Financial Instruments: Presentation</i> ' ⁴⁹	<p>b. information in respect of the key assumptions made concerning the future and other key sources of estimation uncertainty at the Balance Sheet date that pose a significant risk of giving rise to a material adjustment to the carrying amounts of assets and liabilities within the next financial year.</p> <p>IAS 32 deals with the classification of financial instruments between equity and financial liabilities on the Balance Sheet. The accounting treatment of dividend payments or liability repayments will differ significantly depending on the classification adopted.</p>	<p>Review activity identified instances in which seemingly similar financial instruments had been classified in different ways and the associated disclosures were found to be insufficient to facilitate an understanding of the underlying judgments. Whilst the appropriate classification will depend on the particular circumstances, it is important to ensure that sufficient and appropriate accounting policy disclosures and explanatory notes are provided in order to enable users to fully understand the significant judgements that have had an effect on the amounts presented in the financial statements.</p> <p>Findings in this area resulted in directors' undertakings from a number of fund and debt issuers in respect of future reporting periods.</p>

⁴⁹ FRS 25 *Financial Instruments: Presentation* (IAS 32) is the equivalent Standard for Irish GAAP issuers.

Accounting Standard	Outline of requirements under relevant reporting framework	Summary findings/ Review outcome
IAS 7 ' <i>Statement of Cash Flows</i> '	IAS 7 requires entities to prepare a Statement of Cash Flows and to present it as an integral part of its financial statements.	<p>Review activity gave rise to a range of findings regarding the measurement, classification and presentation of items in the Statement of Cash Flows. For example, instances were identified in which the netting of items in the Statement of Cash Flows was inappropriate and where '<i>cash and cash equivalents</i>' amounts presented were inconsistent with the accounting policy definition of that term.</p> <p>Findings to date would suggest that certain fund and debt issuers afford a lesser level of scrutiny to the Statement of Cash Flows than to the other primary statements.</p>
IAS 1 ' <i>Presentation of Financial Statements</i> '	<p>Under IFRS, the disclosure of results from operating activities in the Income Statement is not mandatory, but many issuers elect to disclose results of operating activities or a similar line item (such as the presentation of a line item '<i>Operating Profit</i>')⁵⁰.</p> <p>While operating profit is not defined in IAS 1, issuers should ensure that any amount presented as operating profit is representative of activities that would normally be considered to be '<i>operating</i>'. In the context of the foregoing, paragraph</p>	<p>Review activity indicates that issuers differ in their presentation of items within and outside of operating profit and in the level of accompanying disclosure provided.</p> <p>Given the prominence attributed to the line item '<i>Operating Profit</i>' by users and the degree of judgement required in relation to the classification of items within and outside of operating profit, particularly having regard to the provisions of paragraph BC13 of IAS 1, issuers should give careful consideration as to whether it</p>

⁵⁰ Paragraphs BC12 and BC13 of IAS 1 for IFRS issuers. FRS 3 *Reporting financial performance* specifies the format to be used for the profit and loss account to highlight a number of important components of financial performance.

Accounting Standard	Outline of requirements under relevant reporting framework	Summary findings/ Review outcome
	BC13 of IAS 1 states that <i>'...it would be misleading and would impair comparability of financial statements if items of an operating nature were excluded from the results of operating activities, even if that had been industry practice. For example, it would be inappropriate to exclude items clearly related to operations (such as inventory write-downs, and restructuring and relocation expenses) because they occur irregularly or infrequently or are unusual in amount. Similarly, it would be inappropriate to exclude items on the grounds that they do not involve cash flows, such as depreciation and amortisation expenses'</i> .	is necessary to include an accounting policy disclosure for the purpose of explaining the directors' judgment and rationale in this regard. Disclosure of accounting policies adopted that are relevant to an understanding of the financial statements is required by IAS 1 ⁵¹ . Findings in this area resulted in directors' undertakings in respect of future reporting periods.
IAS 24 'Related Party Disclosures'	IAS 24 requires that compensation of 'key management personnel' ⁵² be disclosed in total and under various headings (e.g. short-term employee benefits, post-employment benefits, other long-term benefits, termination benefits and share-based payment) ⁵³ .	Review activity identified instances in which certain issuers had failed to meet the disclosure requirements of this Standard. Findings in this area resulted in directors' undertakings in respect of future reporting periods.

⁵¹ Paragraph 108 of IAS 1 for IFRS issuers. Paragraph 55(a) of FRS 18 requires disclosure of each of the accounting policies that is material in the context of an entity's financial statements for Irish GAAP issuers.

⁵² Paragraph 9 of IAS 24 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'*. Paragraph 2.3 of FRS 8 *Related party disclosures* defines the term 'key management' for Irish GAAP issuers.

⁵³ Paragraph 16 of IAS 24.



Accounting Standard	Outline of requirements under relevant reporting framework	Summary findings/ Review outcome
IAS 12 ' <i>Income Taxes</i> ' ⁵⁴	IAS 12 provides that an issuer shall recognise a deferred tax asset in situations where the issuer has incurred past losses only after an assessment as to whether or not it is probable that future taxable profits will be available against which unused tax losses can be utilised ⁵⁵ .	Review activity gave rise to the Authority corresponding with a number of issuers in respect of both annual and half-yearly financial reports. As a result, certain deferred tax asset balances were de-recognised in subsequent periodic financial reports.
IAS 21/FRS 23 ' <i>The effects of changes in foreign exchange rates</i> '	IAS 21/FRS 23 ⁵⁶ requires the results and financial position of an entity to be translated into a presentation currency using the closing rate at the Balance Sheet date for assets and liabilities and using the rate applicable at the date of the transaction for income and expenses. Any resulting exchange differences are to be recognised as a separate component of equity. IAS 21 ⁵⁷ also requires disclosure of the net exchange differences classified in a separate component of equity and a reconciliation of the amount of such exchange differences at the beginning and end of the year.	Review activity identified instances where issuers failed to correctly apply the requirements of IAS 21 in respect of the recognition of exchange differences in equity and omitted to disclose the related reconciliation of the opening and closing amounts. Findings in this area resulted in directors' undertakings in respect of future reporting periods.
IAS 33 ' <i>Earnings per Share</i> '	IAS 33 applies to issuers whose ordinary, or potential ordinary, shares are traded on a public market ⁵⁸ . EPS disclosures are required for all such issuers coming within the scope of the Regulations.	Review activity identified a number of issuers that had omitted EPS disclosures in their entirety from their reports. Importantly in the context of funds, the IAS 33 requirement to provide EPS data is not negated by

⁵⁴ FRS 19 *Deferred tax* is the relevant Standard for Irish GAAP issuers.

⁵⁵ Paragraph 34 of IAS 12 *Income Taxes* for IFRS issuers and paragraph 23 of FRS 19 *Deferred tax* for Irish GAAP issuers refer.

⁵⁶ Paragraph 39 refers.

⁵⁷ Paragraph 52(b).

⁵⁸ Paragraph 2 of IAS 33 for IFRS issuers and paragraph 2 of FRS 22 *Earnings per share (IAS 33)* for Irish GAAP issuers.

Accounting Standard	Outline of requirements under relevant reporting framework	Summary findings/ Review outcome
		<p>providing Net Asset Value ('NAV') disclosures.</p> <p>Findings in this area resulted in directors' undertakings in respect of future reporting periods (particularly in the case of funds).</p>
IAS 8 ' <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> '	Paragraph 42 of IAS 8 requires that issuers correct material prior period errors retrospectively in the first set of financial statements authorised for issue after the discovery of such errors, by either restating the comparative amounts for the prior period(s) presented in which the error occurred or, if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented. Paragraph 49 requires the disclosure of the nature and effect of the correction of prior period errors ⁵⁹ .	<p>Review activity identified instances in which issuers had restated prior period comparatives without meeting the requirements of IAS 8 or had provided only limited explanations as to the nature and effect of the restatements.</p> <p>Instances in which issuers had corrected prior period errors on a prospective basis, thereby failing to comply with the requirements of IAS 8 were also identified⁶⁰.</p> <p>Findings in this area resulted in directors' undertakings in respect of future reporting periods.</p>
IAS 8 ' <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> '	Paragraph 30 of IAS 8 requires that, where an entity has not applied a new IFRS or IFRIC ⁶¹ Interpretation that has been issued but that is not yet effective, the issuer shall disclose both this fact and known or	Review activity identified that certain issuers had not provided these required disclosures in their periodic financial reports ⁶² .

⁵⁹ Paragraph 29 of FRS 3 contains broadly similar requirements for Irish GAAP issuers.

⁶⁰ Paragraph 42 of IAS 8 for IFRS issuers refers. FRS 18 *Accounting policies* is the equivalent ASB Statement for Irish GAAP issuers.

⁶¹ International Financial Reporting Interpretations Committee.

⁶² The status of the EU endorsement of IFRSs can be found at <http://www.efrag.org/homepage.asp>

Accounting Standard	Outline of requirements under relevant reporting framework	Summary findings/ Review outcome
	reasonably estimable information relevant to assessing the possible impact that application of that IFRS or IFRIC Interpretation will have on the entity's financial statements in the period of initial application.	Findings in this area resulted in directors' undertakings in respect of future reporting periods.
CESR ⁶³ Paper entitled <i>'Recommendation on Alternative Performance Measures'</i> ⁶⁴	<p>Some issuers choose to present alternative performance measures in their periodic financial reports (typically either in the Management Report or in another section of the Annual Report outside of the audited financial statements).</p> <p>The CESR Paper entitled <i>'Recommendation on Alternative Performance Measures'</i> encourages issuers that decide to provide the financial markets with alternative performance measures to do so in a manner that is both appropriate and useful for investors' decision making.</p>	The Authority's experience to date has been that, while many issuers present alternative performance measures in periodic financial reports, the quality of narrative accompanying same is varied and ranges from reasonably comprehensive to little or none. In particular, failure to define terminology used is a frequently identified deficiency in periodic financial reports.

⁶³ Committee of European Securities Regulators.

⁶⁴ *CESR Recommendation on Alternative Performance Measures* Reference CESR/05-178b and available via the IAASA website at <http://www.iaasa.ie/publications/index.htm>

The Authority has also had cause to correspond with issuers on other matters relevant to their annual and/or half-yearly financial reports. However, as the matters concerned are issuer specific, to elaborate over and above what is provided in the Table above and in what follows is not considered appropriate as to do so could lead to the identification of the issuers concerned. The issues involved included, amongst others, issues relating to the following Standards:

- IAS 18⁶⁵ – matters concerning the accounting treatment of taxes, duties and levies;
- IAS 28⁶⁶ – matters concerning the accounting treatment of investments in associate entities;
- IAS 37⁶⁷ – matters concerning the classification of provisions;
- IAS 41⁶⁸ – matters concerning the recognition and measurement of biological assets; and
- IFRS 5⁶⁹ – matters concerning the accounting treatment of non-current assets held for sale and discontinued operations.

2.12 Matters arising from the Authority's 2008 reviews – Half-yearly financial reports

The following is a summary of the Authority's findings arising from its reviews of issuers' half-yearly financial reports. A number of issuers with whom certain of these matters, or a combination of these matters, were raised:

- provided directors' undertakings in respect of future reporting periods; and/or
- agreed to the publication of amended financial reports.

⁶⁵ IAS 18 'Revenue'.

⁶⁶ IAS 28 'Investment in Associates'.

⁶⁷ IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

⁶⁸ IAS 41 'Agriculture'.

⁶⁹ IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

Table 20
Issues arising – Half-Yearly Financial Reports

Issue	Outline of requirements under relevant reporting framework	Summary findings
Content requirements of relevant accounting pronouncements	In addition to the minimum requirements set out by the Regulations, IAS 34 ⁷⁰ and the ASB Statement ⁷¹ both set out further requirements regarding condensed financial statements, including requirements in relation to a Cash Flow Statement, Statement of Changes in Equity and Statement of Total Recognised Gains and Losses. There are also requirements regarding the form and content of condensed financial statements and the disclosures to be included in selected explanatory notes accompanying same. IAS 34 and the ASB Statement also provide guidance to preparers on recognition and measurement principles.	<p>In the case of a small number of half-yearly financial reports reviewed, the minimum content requirements of the Regulations and/or the applicable accounting pronouncement had not been met.</p> <p>While some deficiencies arose in the context of each of the primary statements, the most common area of non-compliance identified was the failure to provide certain selected explanatory notes.</p> <p>In some cases, issuers did not state whether the financial statements included in their half-yearly financial reports complied with IAS 34 or the ASB Statement and, thus, it was unclear as to whether financial statements purported to represent full or condensed financial statements.</p>
Explanatory notes	For IFRS issuers, paragraph 16 of IAS 34 specifies certain minimum information to be included in the explanatory notes to the condensed financial statements. In addition to disclosing this minimum information, issuers are also required to include	Review activity identified a number of instances in which the explanations provided by issuers were considered to be insufficient having regard to the requirements of IAS 34 and the ASB Statement respectively.

⁷⁰ IAS 34 for 'Interim Financial Reporting'.

⁷¹ ASB Statement for 'Half-Yearly Financial Reports'.

Issue	Outline of requirements under relevant reporting framework	Summary findings
	<p>disclosures concerning any events or transactions that are significant to an understanding of the changes in financial position and performance of the issuer since the last annual reporting date⁷².</p> <p>Similarly, for Irish GAAP issuers, sufficient supplementary information should be given, where appropriate to the nature of the company's business and as the directors see fit to permit an understanding of the significant items contained within the primary statements⁷³.</p>	
Business combinations	<p>For IFRS issuers, details of the effect of changes in their composition during the half-yearly reporting period should be given by way of note to the condensed financial statements⁷⁴. In particular, in the case of business combinations occurring during the half-yearly period, issuers are required to disclose all of the information set out in</p>	<p>In a number of cases reviewed, the necessary disclosures regarding business combinations had not been provided.</p> <p>Issuers are expected to ensure full compliance with all of the disclosure requirements contained in paragraphs 66 to 73 of IFRS 3 in respect of material</p>

⁷² The following refer:

- paragraph 16 of IAS 34 – an issuer is required to ‘...disclose any events or transactions that are material to an understanding of the current interim period’;
- paragraph 15 of IAS 34 – ‘...At an interim date, an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the last annual reporting date is more useful’;
- paragraph 16(c) of IAS 34 – an issuer is required to disclose by way of note ‘...the nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence’; and
- by virtue of paragraph 3 of IAS 1, paragraph 15(c) of IAS 1 also applies to condensed financial statements and states that a fair presentation also requires an entity ‘...to provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance’.

⁷³ Paragraph 32 of the ASB Statement refers.

⁷⁴ Paragraph 16(j) of IAS 34 refers.

Issue	Outline of requirements under relevant reporting framework	Summary findings
	paragraphs 66 to 73 of IFRS 3 ' <i>Business Combinations</i> ' ⁷⁵ .	acquisitions effected during half-yearly reporting periods. Issuers who propose not to disclose such information on the grounds of materiality should assess materiality on the basis of the half-yearly period financial data as opposed to the full year financial data ⁷⁶ .
Presentation of information	All issuers are required to ensure that the presentation applied in their condensed financial statements shall be consistent with that applied in their latest published annual financial statements ⁷⁷ . Furthermore, both IAS 34 and the ASB Statement include certain additional requirements concerning the inclusion of the same headings and sub-totals as were presented in issuers' most recent annual financial statements ⁷⁸ .	<p>In a number of cases, issuers had not satisfied the requirement to present their condensed financial statements in accordance with the presentation adopted in their most recent annual financial statements. In particular, instances have been identified where the presentation of a primary statement in a set of condensed financial statements was not consistent with the format used in the most recent annual financial statements.</p> <p>Cases were also identified where the Authority considered it necessary to query the format of presentation used, with reference, in particular, to the requirements of IAS 1.</p>

⁷⁵ With effect for annual reporting periods beginning on or after 1 July, 2009 paragraph 16(i) of IAS 34 has been amended to take account of the revised IFRS 3 *Business Combinations*. If an entity applies the revised IFRS 3 for an earlier period, these amendments shall be applied for that earlier period. The new wording is '*In the case of business combinations, the entity shall disclose the information required by IFRS 3 Business Combinations.*'

⁷⁶ Paragraph 23 of IAS 34 refers.

⁷⁷ Rule 6.2 of the Financial Regulator's Interim Transparency Rules. These rules are available on the Financial Regulator's website at www.financialregulator.ie

⁷⁸ Paragraph 10 of IAS 34 and paragraphs 40 and 51 of the ASB Statement refer.

Issue	Outline of requirements under relevant reporting framework	Summary findings
Related party transactions	<p>Issuers, subject to certain exceptions, are required to include in their Interim Management Reports⁷⁹, disclosure of:</p> <ul style="list-style-type: none"> a. related party transactions that have taken place during the period covered by the half-yearly financial report and that have materially affected the financial position or performance of the issuer; b. any changes in related party transactions described in the last annual report that could have a material effect on the financial position or performance of the issuer in the half-yearly period; and c. for issuers of shares not required to prepare consolidated accounts, details of any material transactions which have been entered into with related parties if such transactions have not been concluded under normal market conditions. 	<p>Review activity identified a number of half-yearly financial reports which contained either (i) no disclosures concerning related party transactions; or (ii) disclosures only of the existence of related parties, notwithstanding that there had been related party transactions during the period that materially affected the half-yearly financial position or performance of the entity and which, therefore, should have been disclosed.</p>
Consistent accounting policies	<p>The accounting policies applied in condensed financial statements must be consistent with those applied in issuers' most recent annual financial statements,</p>	<p>In a number of cases reviewed, the statement required to the effect that the condensed financial statements have been prepared on the basis of the accounting</p>

⁷⁹ Regulation 8(3), paragraph 35 of the ASB Statement and paragraph 17 of IAS 34 refer.



Issue	Outline of requirements under relevant reporting framework	Summary findings
	<p>unless the accounting policies are to be changed in the subsequent annual financial statements, in which case the new accounting policies should be followed⁸⁰. Issuers are further required to include a statement in their condensed financial statements to the effect that they have been prepared on the basis of accounting policies set out in the most recent annual financial statements and to disclose any changes and the reasons for those changes⁸¹.</p>	<p>policies set out in the most recent set of annual financial statements was found to be absent.</p> <p>In several other cases - where the required statement had been made - there was no disclosure regarding changes in accounting policies, even though new accounting pronouncements had become effective in the period.</p>
Comparative information	<p>For IFRS issuers, comparative information is required as follows:</p> <ul style="list-style-type: none"> • comparative Balance Sheet as at the end of the immediately preceding financial year; and • comparative Income Statement, Cash Flow Statement and Statement of Changes in Equity (SoCE) for the equivalent period in the previous year, i.e. comparative half-yearly period⁸². 	<p>In a number of cases reviewed, Irish GAAP issuers had not met the full requirements as outlined across and, in particular, had omitted to include the comparative half-yearly period for the Profit and Loss Account and Cash Flow Statement.</p>

⁸⁰ Paragraph 28 of IAS 34, paragraph 11 of the ASB Statement and Rule 6.2 of the Financial Regulator's Interim Transparency Rules refer.

⁸¹ Paragraph 16(a) of IAS 34 and paragraphs 12-14 of the ASB Statement refer.

⁸² Paragraph 20 of IAS 34 refers.

Issue	Outline of requirements under relevant reporting framework	Summary findings
	<p>For Irish GAAP issuers, the above comparatives are also required and, in addition, comparative amounts for the condensed Profit and Loss Account, Statement of Total Recognised Gains and Losses (STRGL) and the condensed Cash Flow Statement should be presented for the previous full financial year⁸³.</p>	
Interim Management Reports	<p>An issuer's half-yearly financial report must contain an Interim Management Report, which should include at least:</p> <ol style="list-style-type: none"> an indication of important events that have occurred during the first six months of the financial year; an indication of the impact of such events on the condensed financial statements; a description of the principal risks and uncertainties for the remaining six months of the year; and in the case of an issuer of shares, details of certain related party transactions⁸⁴. 	<p>In a number of cases reviewed:</p> <ul style="list-style-type: none"> issuers' half-yearly financial reports did not contain an Interim Management Report as required; or the Interim Management Report included in the half-yearly report did not meet the full requirements of the Regulations. In particular, the description of the principal risks and uncertainties for the remaining six months of the year was, in a number of instances, considered to be deficient.

⁸³ Paragraph 54 of the ASB Statement refers.

⁸⁴ Regulations 8(2) and 8(3) refer.



Issue	Outline of requirements under relevant reporting framework	Summary findings
Responsibility Statements	<p>Issuers are required to include a responsibility statement in their half-yearly and annual financial reports⁸⁵. The persons making a responsibility statement, whose names and functions should be included in that statement, are required to confirm that, to the best of their knowledge:</p> <ul style="list-style-type: none"> • the financial statements, which have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit/loss of the issuer, or the undertakings included in the consolidation as a whole; and • the management report includes a fair review of the information required to be included therein. 	<p>In a number of cases reviewed, and particularly in the case of funds and debt issuers, half-yearly financial reports did not include Responsibility Statements or included Responsibility Statements that did not satisfy the requirements of the Regulations.</p>

⁸⁵ Regulation 4(3)(c) and Regulation 5(4) with regard to annual financial reports, and Regulation 6(3)(c) and Regulation 8(5) with regard to half-yearly financial reports refer.

3. Consistent enforcement of IFRS across the European Union - (EECS)

3.1 Background to the Authority's membership of the EECS

The background to the establishment of the CESR-sponsored EECS⁸⁶ was set out in detail in the Authority's first Annual Report⁸⁷. 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, where Member States' financial reporting enforcement responsibilities do not reside with the national securities regulator (as is the case in Ireland⁸⁸), 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 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.

3.2 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.

3.3 Authority participation in the EECS

In addition to participating in the consideration of issues brought to the EECS by other members, during the year the Authority also tabled a number of enforcement decisions that it had taken for the purpose of facilitating EECS members' discussion and consideration.

In addition to the Authority's membership of the EECS, the Authority's Head of Financial Reporting Supervision was also a member of the EECS' Agenda Group throughout the year. The Agenda Group is charged, amongst other things, with:

- commenting on enforcement decisions taken by EU/EEA accounting enforcers prior to the CESR secretariat accepting those decisions on the database;

⁸⁶ European Enforcers' Co-ordination Sessions.

⁸⁷ Section 4 of Chapter 2 of the Authority's 2006 Annual Report refers.

⁸⁸ The Financial Regulator, which is a CESR member, is also a member of the EECS.

- reviewing emerging cases and decisions tabled by members with a view to assessing those which should be afforded priority for consideration and discussion at EECS plenary meetings;
- reviewing enforcement decisions taken by EU/EEA accounting enforcers with a view to determining whether they meet the criteria for publication⁸⁹ (see also section 3.4 below); and
- assisting in the redrafting of these decisions for publication (decisions placed on the EECS database provide certain information of a confidential nature that might not be appropriate to make public as to do so might render it possible to identify the issuer involved, hence the need for redrafting on occasion in advance of publication).
- discussing emerging issues of interest to financial reporting enforcers;
- maintaining and augmenting the confidential database of enforcement decisions; and
- publishing, for the benefit of issuers and other interested parties, summaries of enforcement decisions posted to the EECS database. During 2008, CESR published two such summaries, the first on 19 May and the second on 23 December⁹⁰. These publications, for reasons of confidentiality, do not identify issuers or jurisdictions by name.

3.4 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;

4. Co-operation with interested parties in developing accounting standards and practice notes

While the context for, and background to, the Authority's observer status at the ASB was set out in detail in the Authority's first Annual Report⁹¹, one of the principal reasons for the Authority seeking observer status in the first instance was to enable it to discharge its statutory remit (as provided for by

⁸⁹ The criteria for not publishing a decision include:

- where similar decisions have already been published by CESR and publication of a new decision would not add substantial value to the fostering of consistent application;
- the decision deals with a simple accounting issue that, even having been considered a material infringement, does not in itself have any accounting merit;
- a particular EU national enforcer, on a grounded and justified basis, believes that the decision should not be published; and
- there is no consensus at the EECS to support the submitted decision.

If there are contradicting views on a decision, because of an ambiguity in a standard, the question will normally be conveyed to the International Financial Reporting Interpretations Committee (IFRIC) and this fact could be published as well. It is felt useful to publish decisions on issues that IFRIC has put on its agenda for consideration, in order to provide the market with relevant information on decisions taken in the period until IFRIC has issued an interpretation.

⁹⁰ The CESR summaries are available via the Authority's website at <http://www.iaasa.ie/publications/index.htm>

⁹¹ Section 5 of Chapter 2 of the Authority's 2006 Annual Report refers.

section 9(2) of the Act) to co-operate with interested parties in the development of accounting standards. As well as contributing to ASB discussions and outputs (mainly revised accounting standards, exposure drafts and discussion papers), observer status facilitates the identification by the Authority at an early stage of issues that might be of particular interest or relevance in an Irish context.

Whilst the ASB published a number of documents of relevance in an Irish context during the year, one issue of particular relevance to all preparers of financial statements is the ongoing debate on the future of UK/Irish GAAP. As outlined in the Authority's 2007 Annual Report, the International Accounting Standards Board ('IASB') issued an Exposure Draft of a proposed IFRS for SMEs⁹² in February, 2007 and, in response, the ASB published a Consultation Paper on the IASB's Exposure Draft in April, 2007.

During 2008 the ASB approved a plan for the remaining stages of its consideration of the future of UK/Irish GAAP which, subject to the development of the IASB's IFRS for Private Entities⁹³, envisages the publication of a discussion paper during 2009, to be followed by an Exposure Draft, with implementation after a transition period running from 2010 to 2012. The ASB plans to propose a three tier reporting structure, i.e.:

- i. full IFRS for entities which are deemed to have public accountability (Tier 1);

- ii. IFRS for Private Entities for the middle tier (Tier 2); and
- iii. the ASB's Financial Reporting Standard for Smaller Entities (FRSSE) for the smaller entities (Tier 3).

The remaining issues that need to be addressed include the cut-off points between the tiers, the relationship with the EU's accounting Directives and the accounting standards to be used by entities covered by Statements of Recommended Practice (SORPs) and mutual and co-operative societies. The ASB will reach final conclusions on these important issues after considering respondents' views on the discussion paper.

The ASB has discussed the criteria for determining which entities should be in Tier 1 and has tentatively agreed that the development of the discussion paper should proceed on the basis that all publicly accountable entities, regardless of size, should be in Tier 1 and that the IASB definition of public accountability should be used. As a result, all listed entities would be included in Tier 1 regardless of where they are listed. The ASB has also approved plans for carrying out an evidence-based impact assessment.

The ASB is also considering the basis on which it will consult on the future of UK/Irish GAAP in relation to:

⁹² Small and Medium Entities.

⁹³ Now called IFRS for Non-Publicly Accountable Entities.

(a) small and medium sized entities (including the potential impact of EU Member States being given the option to exempt micro entities from the requirements of the accounting Directives); and (b) subsidiaries. While re-affirming its view that the FRSSE should remain in use for the foreseeable future, the ASB will deliberate further on micro entities and the accounting requirements for subsidiaries when the outcome of the debate on the IFRS for Private Entities becomes clearer.

5. Responding to queries from members of the public

The Authority received a total of 44 queries during the year relating to its financial reporting supervision remit. The nature of queries received during the year is analysed in Table 21.

Table 21
Nature of financial reporting related queries received - 2008

Query type	Number of queries
Relating to the provisions of the Transparency Directive/Regulations	21
Relating to the provisions of IFRS	10
Relating to other financial reporting issues	9
Miscellaneous	4
Total	44

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

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

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 accountancy profession

The promotion of adherence to high professional standards by the 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 accountancy profession through two principal avenues, i.e.:

- by promoting adherence to high professional standards through interaction with the accountancy profession; and
- by promoting adherence to high professional standards through interaction with other stakeholder groups and with the wider public.

1.2 Interaction with the accountancy profession

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

- I providing members of the 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 at Appendix 2 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; and
- 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:
 - i breaches of approved procedures have occurred; and
 - ii parallel regulatory responses are necessary or otherwise appropriate.

Further information regarding the Authority's activities in the context of II to IV 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 reviewing, on a sample basis, constituent issuers' periodic financial reports as filed for Transparency Regulations purposes 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;
 - 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 (details of presentations delivered by Authority staff during the year are set out at Appendix 2 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 Chapters 3 and 4.

1.4 Commentary on half-yearly financial reports⁹⁴

In June 2008 the Authority published a Commentary which set out a summary of the results of its first reviews of issuers' half-yearly financial reports. The Commentary was published at a time when relatively few issuers had been required to publish their first half-yearly reports under the Regulations. The purpose of the Commentary was, therefore, to provide information and assistance to the large number of issuers that had, at that time, yet to publish their first reports, thereby assisting them to achieve a high standard of compliance with the Regulations' requirements. While the primary target audience for the Commentary was issuers' directors, the Authority disseminated the document widely to other interested parties also (such interested parties including, amongst others, audit firms, fund administrators and issuers' legal advisors).

The Commentary highlighted a range of issues that had been identified during the first set of reviews, including matters relating to the topics of:

- related party transactions;
- business combinations;
- presentation of financial information;
- explanatory notes;
- interim management reports; and
- responsibility statements.

⁹⁴ Available at http://www.iaasa.ie/publications/TD_Commentary2008.pdf or upon request.

1.5 Observations on year-end financial reporting issues

The international credit crisis, taken together with the downturn in the domestic and international economies, has given rise to significant challenges to those charged with preparing issuers' year-end financial reports. In that context, the Authority took the view that it would be appropriate to issue further material for the purpose of assisting issuers' directors in meeting the challenges associated with preparing their financial statements in respect of the year ended 31 December 2008 and thereafter. At year end, work on this document was at an advanced stage⁹⁵.

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

2.1 Statutory Audit Directive and related matters

During the year the Board and its representatives had three meetings with the Minister on issues related to the Statutory Audit Directive. The Board also corresponded with the Minister and his Department on a number of occasions during the year on matters of mutual interest. Set out below are the principal issues in respect of which the Authority provided its input, advice and perspectives to the Minister and the Department of Enterprise, Trade & Employment during the year.

2.1.1 Transposition of the Statutory Audit Directive

During the year, and at the request of the Department, the Authority increased the level of resources available for providing assistance to the Department with its responsibility to transpose the Directive into national law. In that context, the Authority devoted substantial resources during the first half of the year to working with other interested parties in:

- identifying those aspects of the Directive that:
 - would be likely to require legal advice to be taken by the Department;
 - might require primary legislation (i.e. rather than being capable of being transposed by Ministerial Regulations);
 - would be likely to require major policy decisions to be taken by the Minister;
 - would benefit from consultation with interested and potentially affected parties; and
- developing draft Regulations for consideration by the Department and the Minister.

2.1.2 European Commission Recommendation⁹⁶ on External Quality Assurance of Auditors of Public Interest Entities

Following publication by the European Commission of the Recommendation in May 2008, the Authority:

- advised the Minister of its view that the Recommendation should be implemented,

⁹⁵ This document can be accessed at http://www.iaasa.ie/publications/FRSUobs_Jan09.pdf

⁹⁶ This document can be accessed at http://www.iaasa.ie/publications/EU_QA_Recs080508.pdf



preferably concurrently with the Statutory Audit Directive coming into effect; and

- provided assistance to the Department in preparing a consultation document for the purposes of eliciting stakeholders' views on the Recommendation.

2.1.3 PCAOB inspections of Irish audit firms

In the context of the PCAOB's proposals to perform inspections of Irish PCAOB-registered audit firms, the Authority provided the Department with its perspective and advice on these matters.

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

The Commission Decision, which was published in July 2008, has the effect of permitting auditors and audit entities from certain named third countries to continue to issue valid audit opinions in the EU for a specified time period, provided that they furnish certain specified information to Member States' designated authorities. The Commission Decision confers this extension in respect of audit reports on affected issuers' financial statements where the reporting period commences between 29 June, 2008 and 1 July, 2010. Following publication of the Decision, the Authority provided assistance to the Department in the context of its preparation of Regulations to give effect to the Decision. In anticipation of the Commission's Decision being given effect to, the Authority also continued to liaise with the

ISE with a view to establishing the number of third country issuers and auditors potentially affected by the Directive and the Decision.

2.2 Proposed commencement of certain sections of the Companies (Auditing and Accounting) Act, 2003

In response to a request for views on the proposed commencement of certain sections of the Act, the Authority advised the Department of its view that:

- as many of the sections concerned relate to statutory audit, commencement of those particular sections should be considered in the context of the transposition of the Statutory Audit Directive; and
- other interested parties' views should be sought in advance of commencement.

2.3 Company Law Review Group

The Company Law Review Group ('CLRG') is a statutory body established pursuant to the provisions of the Company Law Enforcement Act, 2001 (CLEA) for the purpose of advising the Minister on company law related matters⁹⁷. The Authority is a body entitled to nominate a member to the CLRG and, through its nominee's membership⁹⁸, the Authority contributed to the CLRG's ongoing provision of advice to the Minister during the year.

In its capacity as a member of the CLRG Committee charged with examining Audit & Financial Issues (whose work was ongoing at the beginning of the

⁹⁷ Further information on the CLRG can be obtained at <http://www.clrg.org>

⁹⁸ The Authority has nominated its Chief Executive as a member of the CLRG.

year with a view to reporting its conclusions and recommendations to the Plenary in the context of the CLRG's 2007 Annual Report⁹⁹), the Authority devoted considerable resources during the early months of 2008 to assisting the CLRG to complete its consideration of a range of issues. One issue of

particular significance from the Authority's perspective that was examined in the above context was that of auditors' liability. The Authority's views on that matter, which are reproduced below, were set out in detail in the CLRG's Report.

Table 22

Auditors' liability – Views of the Irish Auditing & Accounting Supervisory Authority

IAASA is of the view that the current arrangements, whereby audit firms are jointly and severally liable for losses incurred in circumstances where they are less than 100% culpable, are inherently unjust and inequitable. In that context, IAASA is of the view that reform of auditors' liability is merited.

As regards how reform might best - and most justly - be effected, IAASA tends towards the view that the first option that should be examined is the introduction of proportionate liability, which would serve to ensure that, where culpable, auditors would only be required to meet the corresponding proportion of any loss or other damage suffered as a result of their own actions.

Similar to the way in which the introduction of auditors' entitlement to incorporate will not, the introduction of proportionate liability will not necessarily prevent the failure of an audit firm in the event of a catastrophic claim being successfully pursued against it. Therefore, in the event that the intended purpose in effecting liability reform is to prevent the demise of a major audit firm from exiting the market as a consequence of a catastrophic claim, it may be considered appropriate to move beyond proportionate liability and introduce some predetermined means of limiting liability.

It has, in parallel, been argued that the introduction of a predetermined limitation on auditors' liability would serve to render it easier for so called '*mid-tier firms*' to compete in the market for the audits of larger corporate entities. While liability reform would undoubtedly be of assistance in this regard, there are many other barriers to those firms' entering this market, including for example, relative lack of experience and expertise in specialist audit work (e.g. banks, insurance undertakings and financial institutions), absence of global reach and presence on a scale of that possessed by the four global networks (a consideration that is of importance in the context of cross border audits) and Boards' and Audit Committees' reluctance to move away from global firms as auditors, based on the perceived risks associated with doing so.

⁹⁹ The CLRG's 2007 Annual Report can be accessed at www.clrg.org



In the context of the foregoing, those options that have been mooted include a statutory cap on liability, which would apply to claims from all parties and liability limitation by contract (which would apply to the auditor-client relationship only). With regard to any proposals to introduce predetermined capping of liability, IAASA tends towards the view that the levels at which any such cap would be set would have to be carefully considered having regard, amongst other things, to:

- an objective assessment of the risk of a claim (or claims) being filed against an Irish audit firm that is(are) of sufficient magnitude to threaten the existence of the firm;
- what level such a claim(claims) would have to be at to threaten the existence of the firm;
- the structures of the firms that the measures are seeking to protect – for example, logic would suggest that, before setting a cap level, information would be required as to the extent to which an Irish firm could be liable for meeting a claim filed against another member firm of the network – this goes to the heart of assessing the risk of a ‘*catastrophic claim*’ that could directly threaten the existence of an Irish audit firm;
- any cap level that it might be considered appropriate to set should, while seeking to prevent a failure that would be injurious to the public interest, not seek to remove to an inappropriate degree, the risks associated with statutory audit, which is a profitable business;
- the possible adverse effects on audit quality of setting cap levels too low;
- whether it is appropriate to set differing levels of cap depending on, for example, whether the client company is listed or unlisted or on the size of the client;
- other interested parties’ views (including investor and shareholders’ groupings/ representatives).

With regard to the possibility of allowing auditors to further limit their liability to their clients by contract, IAASA is of the view that any such arrangements, if introduced, should require shareholder bodies’ prior approval on an annual basis. As evidenced elsewhere, there are further questions, of course, as to whether shareholders, and particularly institutional shareholders, would be willing to enter into such arrangements.

IAASA has pointed out that the European Commission is expected to publish shortly a formal Recommendation on Quality Assurance relating to auditors of public interest entities (as defined). It is the view of IAASA that any proposal addressing auditor liability reform should have regard to this.

Finally, IAASA is of the view that, were an artificial cap to be introduced, the protection afforded by it should not extend to protect against instances of fraud or intentional/wilful misconduct.

3. Other advisory inputs

During the year the Authority also provided advice and assistance to:

- the Departments of Enterprise, Trade & Employment and Education & Science on the matter of Statutory Instrument No 139 of 2008 entitled '*Recognition of Professional Qualifications (Directive 2005/36/EC) Regulations 2008*'. This Directive applies to EU Member States' nationals who wish to engage in a regulated profession in another Member State; and
- the Departments of Enterprise, Trade & Employment and Finance on the matter of 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).

At the request of the Departments of Enterprise, Trade & Employment and Justice, Equality & Law Reform, the Authority also made representatives available in June 2008 to meet with evaluators representing the Organisation for Economic Co-operation and Development ('OECD') charged with assessing Ireland's implementation of the OECD's Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

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

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

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 Adherence to legal obligations

1.2.1 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 Acts¹⁰⁰. During the year, in compliance with the Authority's obligations as a company, the directors:

- held the Authority's second Annual General Meeting on 10 June, 2008; and
- filed the company's Annual Return with the Registrar of Companies on 1 July, 2008.

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.

1.2.2 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;
- European Communities (Late Payments in Commercial Transactions) Regulations, 2002; and
- data protection legislation (during the year the Authority took steps to enhance its data protection procedures by implementing encryption technology on all Authority issued laptop computers).

Certain other requirements typically applicable to statutory bodies such as, for example, the Freedom of Information Acts and the Official Languages Act do not

¹⁰⁰ 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).



currently apply to the Authority by virtue of it not having been designated for such purposes at this time.

1.3 Adherence to governance obligations

As a body established under statute, the Authority is subject to the Department of Finance's Code of Practice for the Governance of State Bodies ('the Code'). 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 employees¹⁰¹;
- 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.

As outlined in the Authority's first Annual Report, having performed a detailed review of the Code's requirements, the Board concluded that, having

¹⁰¹ The Authority's Codes of Business Conduct can be accessed on the Authority's website at http://www.iaasa.ie/about/business_codes.htm

regard to the nature and scale of its activities, the Code's requirement¹⁰² that five year rolling business and financial plans be prepared (to encompass planned investment and dividend policy) is not relevant or appropriate to its circumstances in that it is clearly aimed at commercial State Bodies. That being the case, and given the Authority's requirement under the Act in any event to prepare ongoing three year Work Programmes, the Board sought a waiver from the aforementioned requirement of the Code from the Minister. Having considered the Board's request, and having consulted with the Minister for Finance, the Minister granted such a waiver by letter dated 28 June, 2006.

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

2.1 Customer Charter

The Authority's Customer Charter¹⁰³ 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.ie¹⁰⁴, 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:

¹⁰² Section 11 of the Code refers.

¹⁰³ A copy of the Authority's Customer Charter can be accessed at http://www.iaasa.ie/about/Customer_Charter.pdf

¹⁰⁴ The Authority's website is also accessible at www.iaasa.eu

- 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. This 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 Services provided - complaints and queries

As detailed above, members of the public may lodge complaints with the Authority regarding the PABs or issuers' periodic financial reporting. The Authority deals with complaints received on a confidential basis and seeks to address complaints as quickly as possible. Further details regarding how to make a complaint can be accessed on the Authority's website or, alternatively, directly from the Authority.

Complainants are advised, however, that, due to the Authority's statutory confidentiality obligations, it is not

possible for complainants to be kept apprised of the progress of a complaint.

In addition to accepting complaints, the Authority welcomes queries from members of the public and, to the extent practicable, endeavours to assist enquirers to the fullest extent possible. Details of complaints and queries received by the Authority during the year, together with details of the manner in which same were dealt with, are set out in Chapters 3 (complaints) and 3 and 4 (queries) of this Report.

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. During the year, the Authority published Consultation Papers on:

- its interim procedures governing the conduct of statutory Investigations under section 24 of the Act (published in September 2008); and
- its draft Work Programme for the period 2009-11 (published in November, 2008).

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.

In September 2008, the Authority also invited expressions of interest from suitably qualified and experienced members of the public interested in serving as independent external members of section 23 and section 24 Enquiry/Investigation Committees.

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 (held on 19 October), at which representatives of seven of the PABs were in attendance. The meeting agenda included matters such as:

- the Group's Terms of Reference;
- an update on the Authority's financial reporting supervision activities;
- the revised EU Statutory Audit Directive and Ireland's progress in transposing same;
- EU and international co-operation amongst independent audit regulators;
- the approval process for PABs' Constitutional Documents;

- the Authority's PAB Annual Return process;
- public access to the PABs' directories of members;
- public access to the PABs' Constitutional Documents;
- the Authority's Work Programme for the period 2009-11 and its 2009 Programme of Expenditure.

2.6 Provision of responses to Parliamentary Questions

The parliamentary procedure of tabling Parliamentary Questions (PQs) is one whereby Deputies¹⁰⁵ 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 Parliamentary Questions 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.

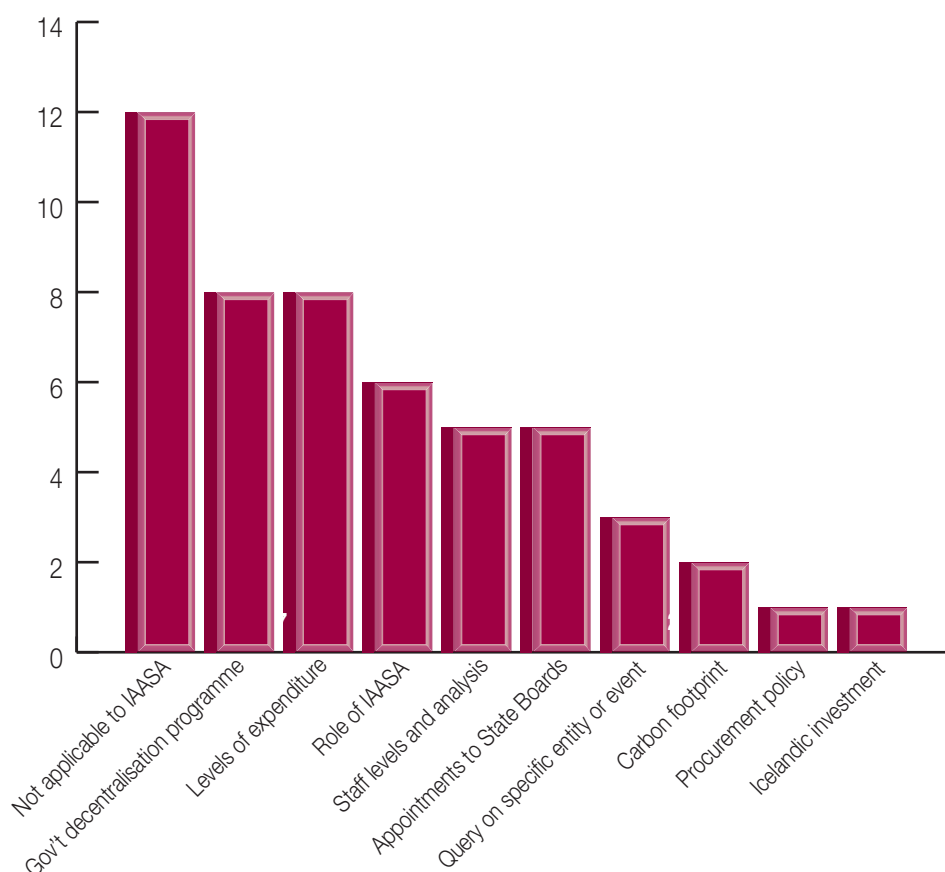
During the year the Authority received 51 requests for PQ response material from the Department of Enterprise, Trade & Employment. The Table below provides an analysis of those questions by subject matter.

¹⁰⁵ Members of Dáil Éireann, which is the lower House of the Irish Parliament.



Table 23

Analysis of subject matter of Parliamentary Questions referred to the Authority - 2008



Not applicable to the Authority	These questions generally related to matters directly within the Minister's remit and were not, therefore, relevant to the Authority.
Government decentralisation programme	These questions relate to costs and movements of staff under the Government's decentralisation programme.
Levels of expenditure	Questions under this heading included requests for information relating to the Authority's overall budget levels, details of amounts charged by the Authority and more detailed queries regarding expenditure under headings such as consultancy, advertising, etc.

Authority's Role	These questions related to powers devolved from the Department to the Authority, and to the Authority's functions <i>vis-à-vis</i> complaints of dissatisfaction with the performance of an auditor and/or accountant from members of the public.
Staff levels & analysis	Questions under this heading included requests for information on topics such as staff numbers, remuneration etc.
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.
Carbon footprint	These questions sought information regarding the Authority's policies and actions on reducing paper output.
Procurement Policy	This question sought assurance that the Authority adheres to its public procurement obligations.
Icelandic Investments	This question related to any monies invested by the Authority in Iceland, the response to which was nil.

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 ongoing accounting and legal 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 to the administration and management of the Authority, including in the areas of:
 - procurement law;
 - EU legislation;
 - ISO international standards;
 - first aid; and
 - employers' duties and obligations.



Chapter 7

Profile of the
Prescribed Accountancy Bodies

Chapter 7

Profile of the Prescribed Accountancy Bodies

1. Introduction

The purpose of this Chapter is to provide the public with an insight into:

- the scale and composition of the Authority's supervisory remit *vis-à-vis* the PABs;
- the scale of the PABs, both individually and collectively, and 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 membership;
- investigation and disciplinary activities;
- respective student populations and education;
- members with practising authorisation;
- members with registration as auditors; and
- monitoring of registered auditors.

The information given herein relates to the year ended 31 December, 2008.

2. Provision of information by the Prescribed Accountancy Bodies

The Authority has relied on the PABs for the provision of the information contained in this Chapter, which was submitted as part of the PABs' Annual Return

process in respect of the year ended 31 December, 2008. 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 queries raised and clarifications requested regarding the data provided.

As described in Chapter 3, the Authority's PAB Annual Return process has a dual objective, i.e.:

- 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 and/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 information 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 instances.

4. Definitions used throughout this Chapter

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

'Ireland' means the Republic of Ireland;

'Irish Relevant' means complaints relating to members and students located in Ireland, firms based in Ireland and members/firms with clients based in Ireland;

'member' means an individual who has applied for, and been admitted to, membership of the relevant PAB;

'principal' means a partner in a member firm and includes a sole practitioner;

'registered auditor' means a firm or an individual that is registered to undertake statutory audits under the Irish Companies Acts;

'student' means an individual who is registered with the relevant PAB as a student and is actively pursuing the education process for 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 for each PAB are set out hereunder for readers' reference.

ACCA	www.accaglobal.com
AIA	www.aiaworldwide.com
CIMA	www.cimaglobal.com
CIPFA	www.cipfa.org.uk
ICAEW	www.icaew.com
ICAI	www.icaei.ie
ICAS	www.icas.org.uk
ICPAI	www.cpaireland.ie
IIPA	www.iipa.ie

6. Structure of the remainder of this Chapter

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

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. For the purposes of this Part, a ‘member’ is an individual who has applied for, and has been admitted to, membership of a PAB. 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 constitutional documents, bye-laws, 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. 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 2008

- There has been an increase of approximately 7% in the aggregate membership of the PABs in Ireland in 2008 (Table A.2), with a 4% increase in worldwide membership during the year (Table A.1).
- 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. While a majority (51%) of ACCA members are located in the UK and Ireland, a substantial minority are in other locations (5% other EU countries and 44% outside the EU). A majority (58%) of AIA members are located outside of the EU (Table A.1).
- Four bodies dominate PAB membership in Ireland - ICAI members comprise almost 44% of the PABs' aggregate membership in the State, followed by ACCA with 27%, CIMA with 14% and ICPAI with 12% (Chart A.1).
- Approximately 37% of members of the PABs in Ireland are female, compared with approximately 35% in 2007 (Table A.4). Chart A.5 shows that males comprise the majority gender in all nine PABs. However, the numbers of female members has been rising over recent years and readers should also refer to the statistics on student numbers for evidence of the likely future trend in the gender of PAB membership.
- On an overall basis, the majority of members in Ireland (60%) are employed in business, with a large minority (28%) employed in practice (Table A.5). On an individual basis, with the exception of the IIPA, a minority of members of each PAB in Ireland are employed in practice.
- 70% of the aggregate PABs' membership in Ireland is comprised of individuals under 45 years of age (Table A.6). ACCA has the highest proportion of under 45s at 75%, followed by ICAI and ICPAI at 69% and CIMA at 68%.
- Increases in membership during the year arise in the main through the admission of students to membership. Decreases in membership arise principally from member resignations or exclusions. Exclusions arise mainly because of failure to pay subscription fees or, alternatively, as a result of disciplinary sanction. 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 2008.

Table A.1: Members Worldwide - Location

			Recognised Accountancy Bodies								
As at 31 December	2007 TOTAL	2008 TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Ireland	25,532	27,377	7,437	429	12,049	64	3,281	211	127	3,708	71
UK	257,269	263,979	60,156	112,309	4,188	15,258	94	7	1,502	57,162	13,303
Other EU Member States	11,899	11,704	6,394	3,511	277	348	28	0	85	988	73
Other locations	87,016	94,199	57,411	16,162	1,329	2,001	135	2	2,399	14,510	250
Total members worldwide	381,716	397,259	131,398	132,411	17,843	17,671	3,538	220	4,113	76,368	13,697

Chart A.1: % Share of PAB Members Located in Ireland

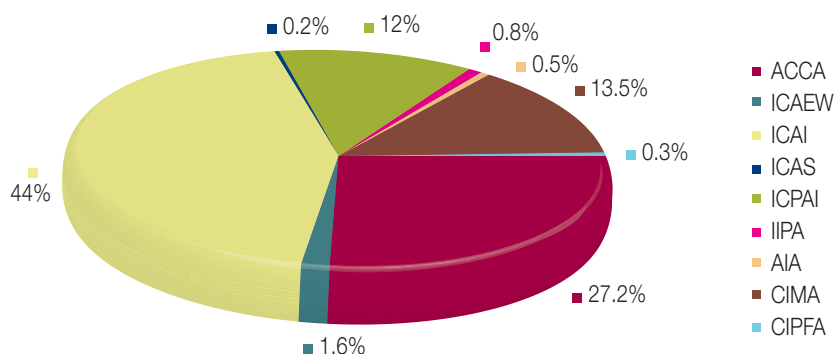


Chart A.2: Members Worldwide - Comparison of location

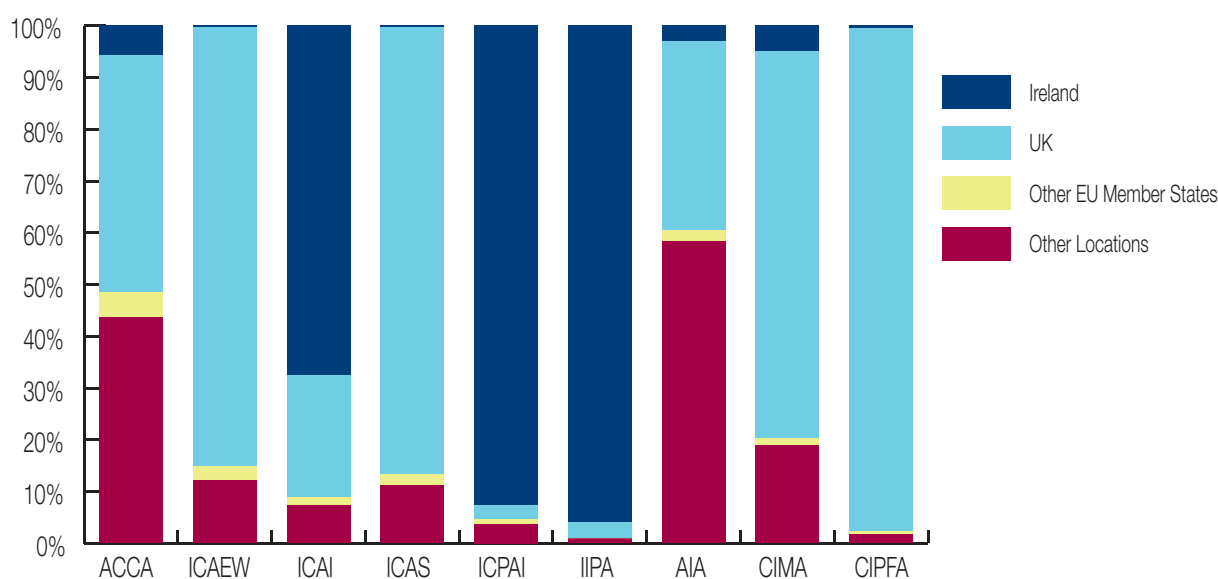


Table A.2: Members in Ireland - Movement during the year

	2007 TOTAL	2008 TOTAL	Recognised Accountancy Bodies								
			ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Members in Ireland at 1 January	24,033	25,532	6,829	419	11,149	57	3,100	195	138	3,579	66
During the Year:											
ADD: Students admitted as members ¹⁰⁶	1,634	2,067	705	5	950	7	222	4	0	172	2
Members of other bodies admitted as members	19	18	4	0	0	0	3	11	0	0	0
Former members re-admitted to membership	175	146	62	0	10	0	4	1	0	68	1
LESS: Members excluded from membership	(260)	(236)	(137)	0	0	0	(2)	0	0	(96)	(1)
Members resigning from membership	(121)	(72)	(16)	0	(23)	0	(20)	0	(3)	(10)	0
Members deceased	(48)	(54)	(10)	0	(37)	0	(2)	0	0	(5)	0
Other	100	(24)	0	5	0	0	(24)	0	(8)	0	3
Members in Ireland at 31 December	25,532	27,377	7,437	429	12,049	64	3,281	211	127	3,708	71

¹⁰⁶ In some instances 'Students admitted as members' may differ from the movement of students on Table C2, due to change of address.

Table A.3: Members in Ireland - Movement from 2006 - 2008

Membership In Ireland as at 31 December	2006	2007	2008
ACCA	6,368	6,829	7,437
ICAEW	425	419	429
ICAI	10,468	11,149	12,049
ICAS	51	57	64
ICPAI	2,849	3,100	3,281
IIPA	191	195	211
AIA	195	138	127
CIMA	3,416	3,579	3,708
CIPFA	70	66	71
Total	24,033	25,532	27,377

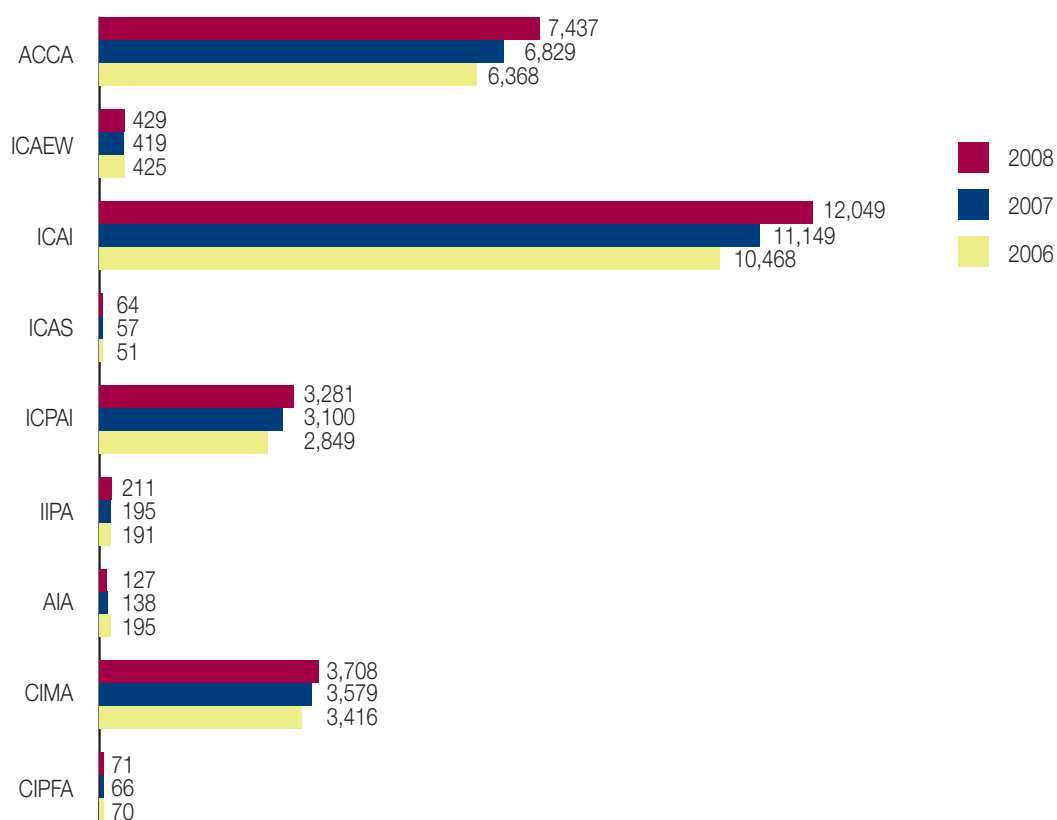
Chart A.3: Comparison of Membership in Ireland 2006 - 2008

Table A.4: Members in Ireland - Gender Profile

As at 31 December	2007 TOTAL	2008 TOTAL	Recognised Accountancy Bodies								
			ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Male	16,650	17,369	4,308	331	8,034	49	1,735	198	120	2,548	46
Female	8,882	10,008	3,129	98	4,015	15	1,546	13	7	1,160	25
Total membership	25,532	27,377	7,437	429	12,049	64	3,281	211	127	3,708	71

Chart A.4: Members in Ireland - Gender Profile

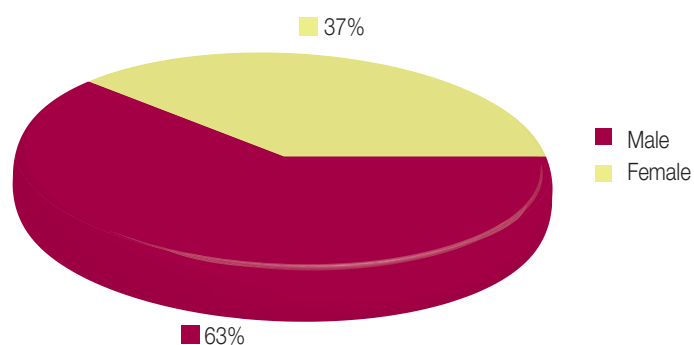


Chart A.5: Members in Ireland - Comparison of Gender Profile

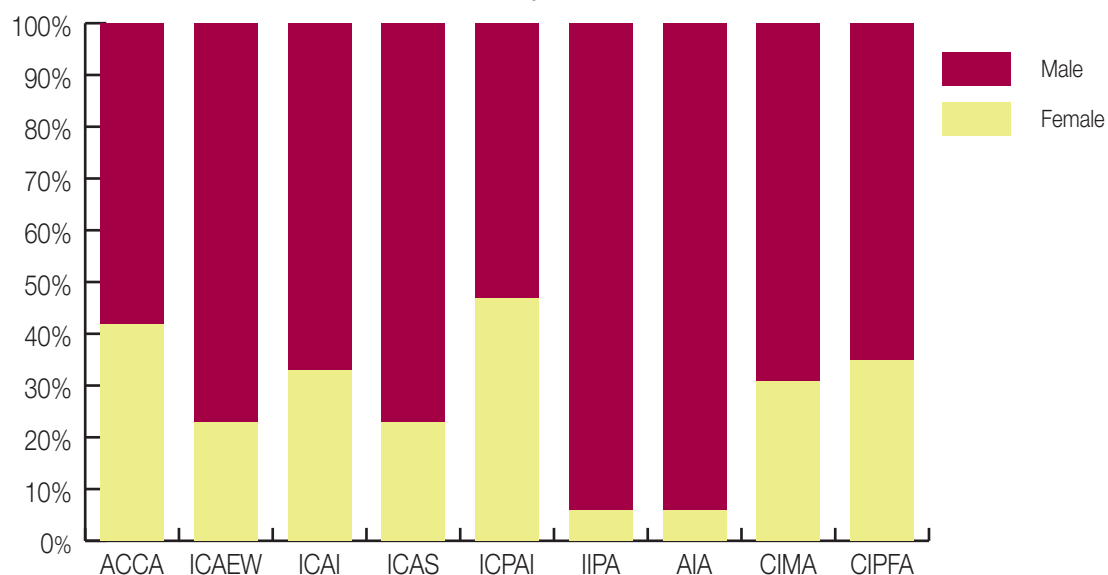


Table A.5: Members in Ireland - Employment Status

			Recognised Accountancy Bodies								
As at 31 December	2007 TOTAL	2008 TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Practice	7,044	7,729	2,164	101	4,053	9	1,193	115	17	76	1
Industry/Business	15,379	16,329	4,321	203	6,669	35	1,627	95	82	3,296	1
Public Sector	1,602	1,616	593	19	492	3	318	1	1	125	64
Retired	954	996	177	66	454	10	56	0	20	211	2
Other	553	707	182	40	381	7	87	0	7	0	3
Total	25,532	27,377	7,437	429	12,049	64	3,281	211	127	3,708	71

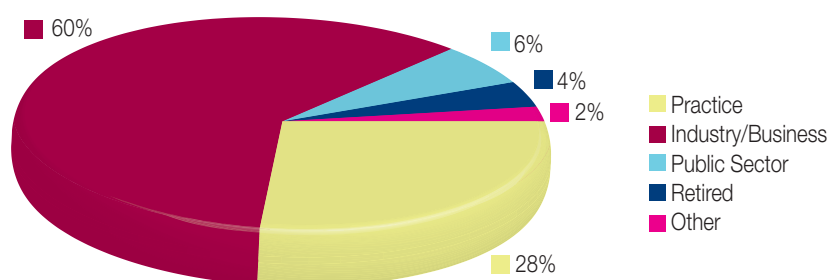
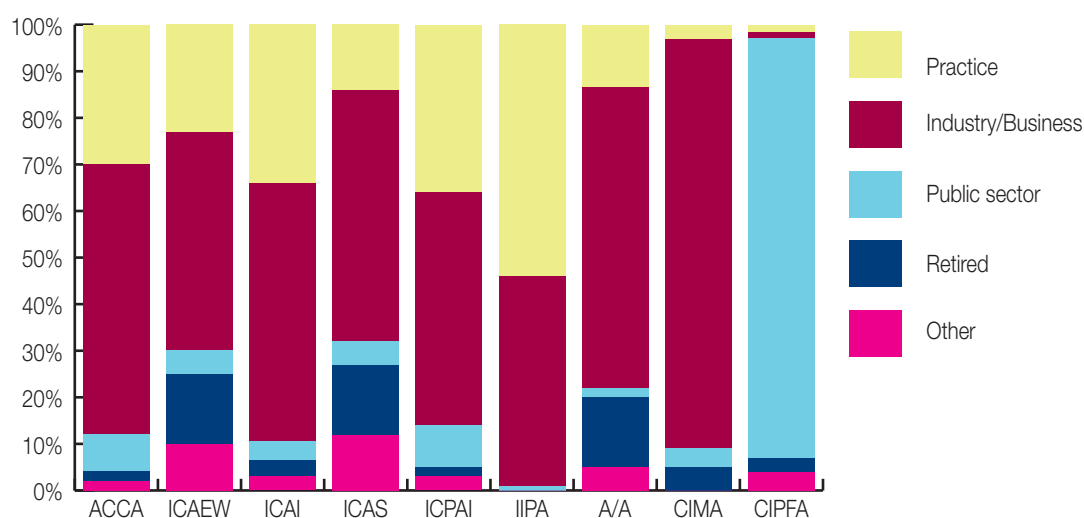
Chart A.6: Members in Ireland - Employment Status**Chart A.7: Members in Ireland - Comparison of Employment Status**

Table A.6: Members in Ireland - Age Profile

			Recognised Accountancy Bodies								
As at 31 December	2007 TOTAL	2008 TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
< 25	53	52	13	0	21	0	16	2	0	0	0
25 – 34	8,573	8,771	2,191	46	4,696	17	1,012	24	6	776	3
35 – 44	9,340	10,202	3,404	155	3,571	13	1,222	45	17	1,747	28
45 – 54	4,159	4,621	1,168	63	1,961	14	728	49	25	586	27
55 – 64	2,139	2,445	440	105	1,149	13	256	70	46	356	10
65+	1,073	1,285	221	60	651	7	47	21	33	243	2
Date of birth not available	195	1	-	-	-	-	-	-	-	-	1
Total	25,532	27,377	7,437	429	12,049	64	3,281	211	127	3,708	71

Chart A.8: Members in Ireland - Age Profile

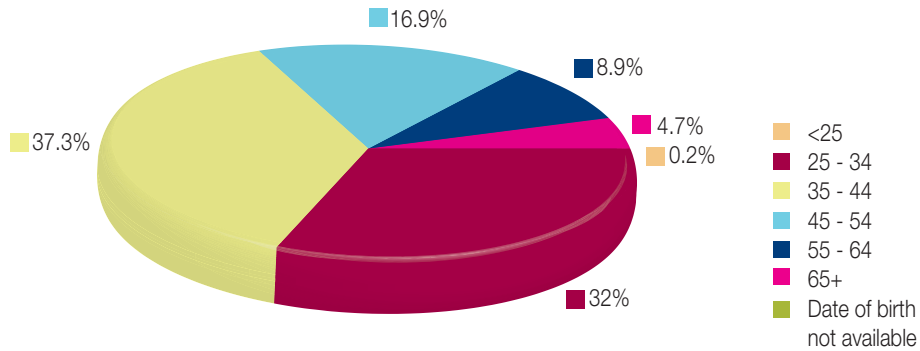
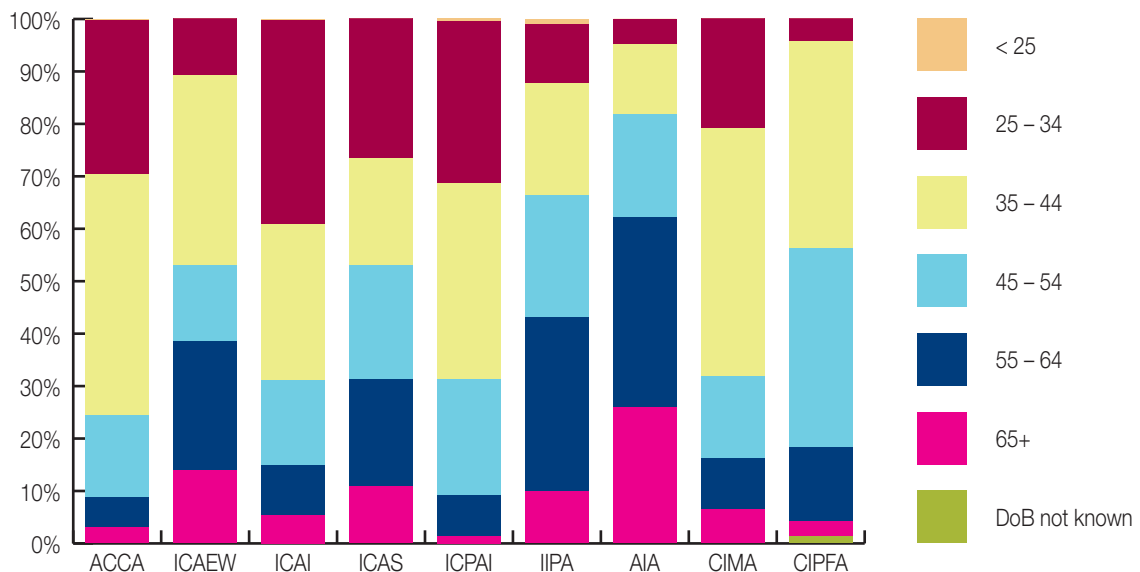


Chart A.9: Members in Ireland - Comparison of Age Profile (by PAB)



Part B

Investigation and disciplinary activities

The tables in this Part provide information regarding the investigation and disciplinary activities of the PABs. As outlined in the 2007 Annual Report, under the supervisory model provided for by the Act, primary responsibility for the investigation of complaints 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, the Authority's role is to supervise the manner in which the PABs' complaints, investigations, disciplinary and appeals processes operate and whether they operate in accordance with approved procedures. 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 (the complainant) makes a complaint to a PAB concerning the conduct or competence of a member of that PAB 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 committee¹⁰⁷ (regulatory assessor in the case of ACCA), resolution by conciliation¹⁰⁸ or other means provided for under its approved investigation and disciplinary procedures. In cases where a judgement is formed by either the Investigation Committee or the regulatory assessor that there is a *prima facie* case against the member, the member may either be referred to the formal disciplinary process (typically, a Disciplinary Tribunal) or be offered a Consent Order¹⁰⁹.

¹⁰⁷ It should be noted that not all PABs use the same terminology for their Investigation Committee. For example, the ICAI refers to this committee as the Complaints Committee while ICAS refers to it as the Investigations and Professional Conduct Enforcement Committee. For convenience, this Chapter refers generically to such committees as Investigation Committees.

¹⁰⁸ 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 in respect of minor matters. Additionally, it should be noted that not all of the PABs' processes and procedures provide for a complaint conciliation process.

¹⁰⁹ A Consent Order is a mechanism whereby the 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.

The range of sanctions available to the Investigation Committee and the Disciplinary Tribunal are outlined in Table B.5 and the nature of the sanction imposed on the member will depend on the seriousness of the wrongdoing. Where a Disciplinary Tribunal makes a finding against a member, the member typically has a right of appeal before an Appeals Committee/Tribunal.

- Tables B.1 and B.2 outline the number of complaints open at the end of 2007 and 2008 respectively, the number of new cases arising during 2008, the number of cases closed during 2008 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 2008.
- Table B.5 outlines the sanctions that may be imposed by each PAB in the case of a proven complaint. It should be noted that this table refers only to sanctions available to the Investigation Committee and Disciplinary Tribunal and does not take into account sanctions that may be imposed other than as part of the investigation and disciplinary process, e.g. by other committees that operate outside the investigation and disciplinary process (e.g. Registration Committees and Quality Assurance Committees, howsoever called).
- Tables B.6 and B.7 provide an analysis of the sanctions imposed during 2008 in relation to cases closed during the year where there was an adverse finding against the member. As is evident from those tables, the most common sanctions are reprimands, fines and the imposition of costs.

Table B.1: Summary of Complaints - Irish Relevant

Year to 31 December, 2008	TOTAL	Recognised Accountancy Bodies								
		ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Complaints outstanding at 1 Jan, 2008	243	119	1	105	0	15	1	0	2	0
During the year:										
ADD: New cases arising during the year	217	84	0	97	0	26	8	0	2	0
LESS: Cases closed during the year by:										
- Secretary/Staff	(96)	(45)	0	(43)	0	(5)	(3)	0	0	0
- Assessor	(3)	(3)	0	0	0	0	0	0	0	0
- Investigation/Complaints Committee	(38)	0	0	(31)	0	(6)	0	0	(1)	0
- Disciplinary Tribunal	(30)	(10)	(1)	(13)	0	(6)	0	0	0	0
- Appeal Committee/Tribunal	(8)	(3)	0	(4)	0	(1)	0	0	0	0
- Other	(28)	(22)	0	(5)	0	0	0	0	(1)	0
Complaints outstanding at 31 Dec, 2008	257	120	0	106	0	23	6	0	2	0

Table B.2: Summary of Complaints - Registered Auditors

Year to 31 December, 2008	TOTAL	Recognised Accountancy Bodies					
		ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Complaints outstanding at 1 Jan, 2008	251	79	90	73	0	8	1
During the year:							
ADD: New cases arising during the year	280	69	100	80	1	22	8
LESS: Cases closed during the year by:							
- Secretary/Staff	(137)	(35)	(58)	(37)	(1)	(3)	(3)
- Assessor	(3)	(3)	0	0	0	0	0
- Investigation/Complaints Committee	(89)	0	(65)	(23)	0	(1)	0
- Disciplinary Tribunal	(30)	(6)	(11)	(9)	0	(4)	0
- Appeal Committee/Tribunal	(4)	(2)	(1)	0	0	(1)	0
- Other	(22)	(22)	0	0	0	0	0
Complaints outstanding at 31 Dec, 2008	246	80	55	84	0	21	6

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



Table B.3: Nature of Complaints Received - Irish Relevant

Year to 31 December, 2008	Recognised Accountancy Bodies								
	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Poor work or unsatisfactory professional service or conduct	32	0	57	0	21	5	0	2	0
Loss/withholding of client records	5	0	3	0	0	0	0	0	0
Fee disputes	8	0	14	0	0	1	0	0	0
Delay/failure to respond and/or co-operate with the Institute/ Association or an external party	1	0	7	0	1	0	0	0	0
Failure to report to a Regulator	0	0	1	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	5	0	0	0	1	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	8	0	4	0	0	0	0
Other audit related matters	10	0	8	0	0	0	0	0	0
Professional appointment related	0	0	1	0	0	0	0	0	0
Breach of code of ethics	3	0	16	0	1	0	0	0	0
Breach of Institute/Association Rules or Regulations (such as in relation to client monies, professional indemnity insurance)	1	0	1	0	0	0	0	0	0
Matters relating to insolvency work or conduct of a liquidation	13	0	6	0	0	0	0	0	0
Matters relating to investment business	2	0	1	0	1	0	0	0	0
Tax work	0	0	3	0	0	2	0	0	0
Training/student related matters	3	0	0	0	0	0	0	0	0
Other	1	0	5	0	1	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 component elements.

Table B.4: Nature of Complaints Received - Registered Auditors

Year to 31 December, 2008	Recognised Accountancy Bodies					
	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Poor work or unsatisfactory professional service or conduct	27	0	48	0	21	5
Loss/withholding of client records	4	0	2	0	0	0
Fee disputes	7	0	10	0	0	1
Delay/failure to respond and/or co-operate with the Institute/Association or an external party	1	7	5	0	1	0
Failure to report to a Regulator	0	0	0	0	0	0
Criminal conviction/Civil Proceedings	0	2	0	0	0	0
Carrying on public practice or audit while not authorised	1	11	0	0	0	0
Other breach of company law/restriction or disqualification as a director/failure to satisfy judgement debt	0	7	0	0	0	0
Execution of an audit report by non-RI (Responsible Individual)	0	1	7	0	4	0
Other audit related matters	11	40	7	0	0	0
Professional appointment related	0	2	1	0	0	0
Breach of code of ethics	1	4	14	0	0	0
Breach of Institute/Association Rules or Regulations (such as in relation to client monies, professional indemnity insurance)	1	26	1	0	0	0
Matters relating to insolvency work or conduct of a liquidation	13	0	8	0	0	0
Matters relating to investment business	2	0	1	0	0	0
Tax work	0	0	1	0	0	2
Training/student related matters	0	0	0	0	0	0
Other	1	0	3	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 component 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 ICAEW in respect of all firms with audit registration. Certain of these complaints may relate to firms not allowed to audit in Ireland by virtue of S. 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

	Recognised Accountancy Bodies								
Year to 31 December, 2008	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	N	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	Y	N	N	Y	N	Y	N/A	N
Withdrawal of other authorisation	N	Y	Y	Y	Y	Y	Y	Y	Y
Attach conditions to an authorisation	Y	Y	N	Y	Y	N	Y	Y	N
Ineligible for an authorisation for period of time	N	N	Y	Y	Y	N	Y	N	N
Direct member to reimburse complainant for expenses incurred in connection with the complaint	Y	Y	N	N	N	N	Y	N	Y
Direct member to refund fees/commission to complainant	Y	Y	N	N	N	N	Y	N	Y
Direct member to pay compensation to complainant	Y	N	N	N	N	N	N	N	N
Rest on file/similar sanction ¹¹⁰	Y	N	Y	N	Y	N	Y	N	Y
Proven but no penalty/similar sanction	Y	Y	Y	Y	Y	N	Y	N	Y
Publication of findings, including member's name	Y	Y	Y	Y	Y	Y	Y	Y	Y
Other	Y	N	N	Y	N	N	N	Y	N
Can an Institute/Association issue a consent order?	N	Y	Y	Y	Y	N	Y	Y	Y
Can costs be imposed against the Institute/Association?	Y	Y	Y	N	N	Y	N	N	Y

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

¹¹⁰ 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, 2008	Recognised Accountancy Bodies								
	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Reprimands/severe reprimands imposed	6	1	27	-	5	-	-	-	-
Cases where fines were imposed	6	1	22	-	2	-	-	-	-
Aggregate value of fines imposed	£ 12,981	£1,000	€120,540	-	€ 6,500	-	-	-	-
Maximum fine imposed in a single case	£ 3,000	£1,000	€20,000	-	€ 3,500	-	-	-	-
Cases where costs were imposed	10	1	26	-	6	-	-	-	-
Aggregate value of costs imposed	£15,868	£5,231	€220,667	-	€18,000	-	-	-	-
Maximum costs imposed in a single case	£10,000	£5,231	€35,439	-	€5,000	-	-	-	-
Member exclusions applied	2	-	-	-	1	-	-	-	-
Member suspensions applied	-	-	1	-	-	-	-	-	-
Suspensions of audit authorisation applied	-	-	-	-	1	-	-	-	-
Suspensions of other authorisation applied	-	-	-	-	-	-	-	-	-
Withdrawals of audit authorisation applied	-	-	-	-	1	-	-	-	-
Cases where conditions were attached to authorisation	-	-	-	-	2	-	-	-	-
Refund of fees/commissions	1	-	-	-	-	-	-	-	-
Directions to pay compensation to complainant	1	-	-	-	-	-	-	-	-
Aggregate value of compensation awarded to complainants	£ 2,923	-	-	-	-	-	-	-	-
Cases resting on file ¹¹⁰ /similar	-	-	2	-	-	-	-	-	-
Cases proven but no penalty or similar	-	-	5	-	-	-	-	-	-
Student exclusions/suspensions applied	3	-	-	-	-	-	-	-	-
Other	-	-	1	-	-	-	-	-	-
Consent orders offered during the year	-	-	21	-	-	-	-	-	-
Consent orders accepted during the year	-	-	16	-	-	-	-	-	-
Cases where the committee decision was published	11	-	28	-	7	-	-	-	-
Cases where the decision was published, and the member identified in the publication	10	-	12	-	3	-	-	-	-



Table B.7: Analysis of Sanctions Imposed - Registered Auditors

Year to 31 December, 2008	Recognised Accountancy Bodies					
	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Reprimands/severe reprimands imposed	6	46	15	-	4	-
Cases where fines were imposed	6	49	13	-	2	-
Aggregate value of fines imposed	£12,981	£257,850	€56,540	-	€6,500	-
Maximum fine imposed in a single case	£3,000	£75,000	€12,500	-	€3,500	-
Cases where costs were imposed	6	61	15	-	5	-
Aggregate value of costs imposed	£14,103	£189,506	€66,021	-	€16,000	-
Maximum costs imposed in a single case	£10,000	£26,316	€16,782	-	€5,000	-
Member exclusions applied	1	8	-	-	-	-
Member suspensions applied	-	-	-	-	-	-
Suspensions of audit authorisation applied	-	-	-	-	1	-
Withdrawals of audit authorisation applied	-	-	-	-	1	-
Cases where conditions were attached to authorisation	-	-	-	-	2	-
Refunds of fees/commissions applied	1	-	-	-	-	-
Directions to pay compensation to complainant	1	-	-	-	-	-
Aggregate value of compensation awarded to complainant	£ 2,923	-	-	-	-	-
Cases resting on file/similar	-	-	1	-	-	-
Cases proven but no penalty or similar	-	-	3	-	-	-
Other	-	-	1	-	-	-
Consent orders offered during the year	-	-	29	-	-	-
Consent orders accepted during the year	-	-	16	-	-	-
Cases where the committee decision was published	7	45	16	-	6	-
Cases where the decision was published, and the member identified in the publication	7	43	5	-	2	-

Note: ICAEW audit registration allows an audit firm to audit in both the UK and Ireland. The above statistics relate to complaints received by ICAEW in respect of all firms with audit registration. Certain of these complaints may relate to firms not allowed to audit in Ireland by virtue of S. 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 of the Chapter provide information in respect of the student population of each PAB.

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 body;
- 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 body.

Student Population - Highlights 2008

- In aggregate terms, there has been an increase of approximately 3% in student numbers in Ireland in 2008, with the increase in worldwide student numbers during the year being 8% (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 (66% and 95% respectively) are located outside the EU.
- Four PABs dominate the student market in Ireland – ACCA students comprise almost 51% of students, followed by ICAI with 26%, CIMA with 14% and ICPAI with 9% (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 with membership statistics, 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.



- In aggregate terms, business is the largest employment sector for PAB students in Ireland (at 43%), followed by practice (39%) (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 (58%) are between 25 and 34 years of age (Chart C.8), although this is not the case in all PABs, with a majority of ICAI's student population (57%) being under 25 (Table C.6).
- During 2008, 67% of students registered by the PABs held a degree or post-graduate qualification (Chart C.10). On an individual basis, and of the four PABs dominating the student market in Ireland, ICAI has the highest proportion of students with a relevant degree or post-graduate qualification (88%).

Table C.1: Students Worldwide - Location

As at 31 December	2007 TOTAL	2008 TOTAL	Recognised Accountancy Bodies								
			ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Ireland	18,289	18,821	9,526	4	4,920	0	1,620	121	26	2,591	13
UK	150,782	152,958	76,989	14,557	1,033	3,437	13	2	255	53,836	2,836
Other EU Member States	25,388	20,119	17,628	644	0	26	4	0	127	1,689	1
Other locations	209,451	245,688	203,314	960	5	3	61	0	7,902	33,408	35
Total students worldwide	403,910	437,586	307,457	16,165	5,958	3,466	1,698	123	8,310	91,524	2,885

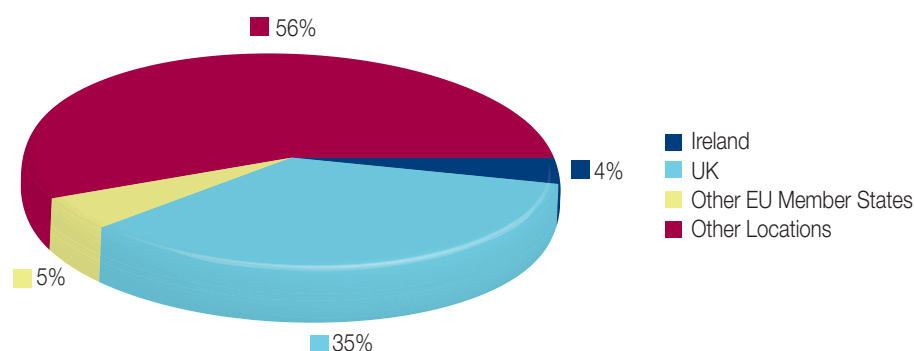
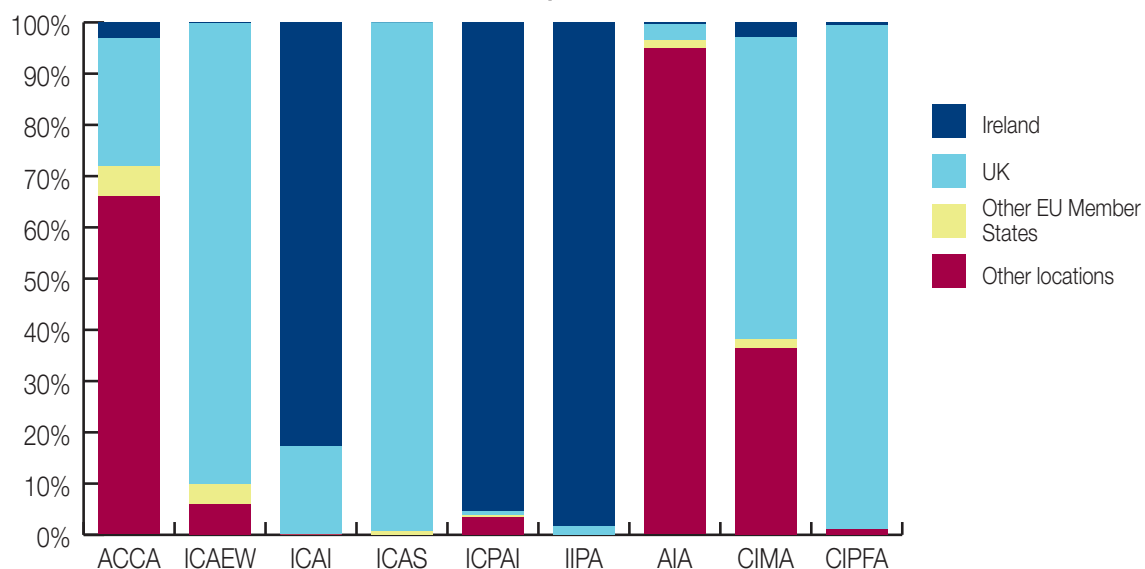
Chart C.1: Students Worldwide - Location**Chart C.2: Students Worldwide - Comparison of location**

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

	Recognised Accountancy Bodies										
	2007 TOTAL	2008 TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Students in Ireland at 1 January	17,507	18,289	8,542	2	5,457	0	1,592	46	29	2,599	22
During the year:											
ADD: New students registered	4,486	4,806	2,584	0	1,331	0	361	79	1	450	0
LESS: Lapsed student registrations	(1,912)	(2,092)	(844)	0	(765)	0	(155)	0	(4)	(318)	(6)
Student registrations cancelled	(156)	(143)	(51)	0	(91)	0	0	0	0	0	(1)
Students admitted as full members	(1,634)	(2,055)	(705)	0	(950)	0	(222)	(4)	0	(172)	(2)
Other	(2)	16	0	2	(62)	0	44	0	0	32	0
Students in Ireland at 31 December	18,289	18,821	9,526	4	4,920	0	1,620	121	26	2,591	13

Table C.3: Students in Ireland - Movement from 2006 – 2008

Membership In Ireland as at 31 December	2006	2007	2008
ACCA	7,947	8,542	9,526
ICAEW	2	2	4
ICAI	4,839	5,457	4,920
ICAS	0	0	0
ICPAI	1,883	1,592	1,620
IIPA	57	46	121
AIA	40	29	26
CIMA	2,716	2,599	2,591
CIPFA	23	22	13
Total	17,507	18,289	18,821

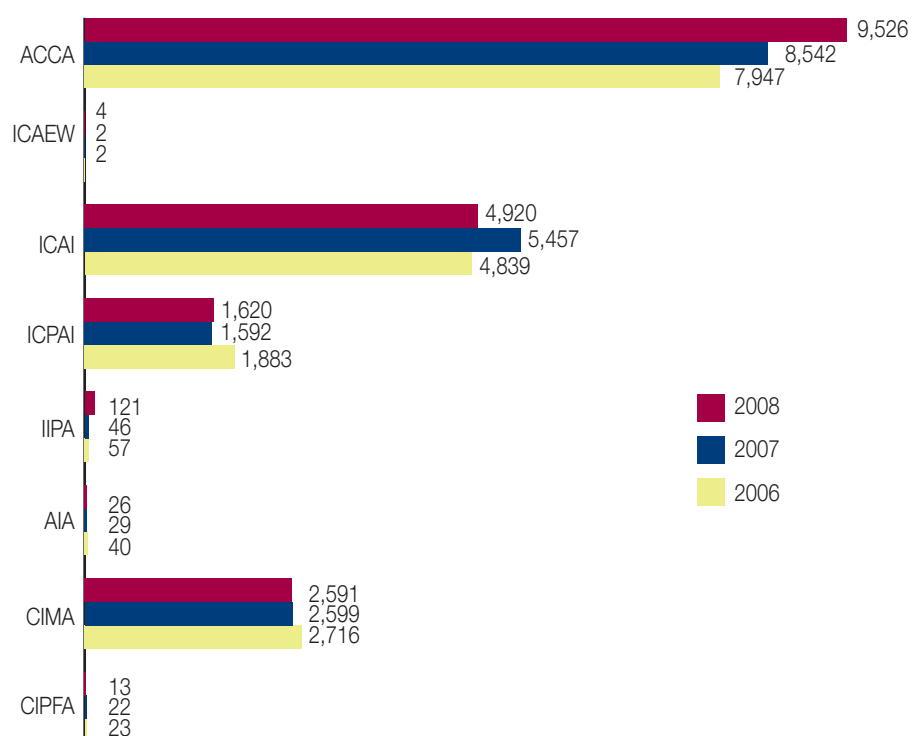
Chart C.3: Comparison of Student Membership in Ireland 2006 - 2008

Table C.4: Students in Ireland - Gender Profile

As at 31 December	2007 TOTAL	2008 TOTAL	Recognised Accountancy Bodies								
			ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Female	9,951	9,982	5,212	2	2,534	0	1,062	48	6	1,113	5
Male	8,338	8,839	4,314	2	2,386	0	558	73	20	1,478	8
Total	18,289	18,821	9,526	4	4,920	0	1,620	121	26	2,591	13

Chart C.4: Students in Ireland - Gender Profile

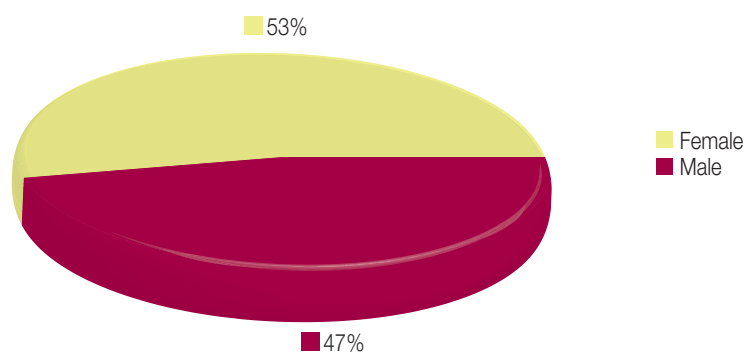


Chart C.5: Students in Ireland - Comparison of Gender Profile

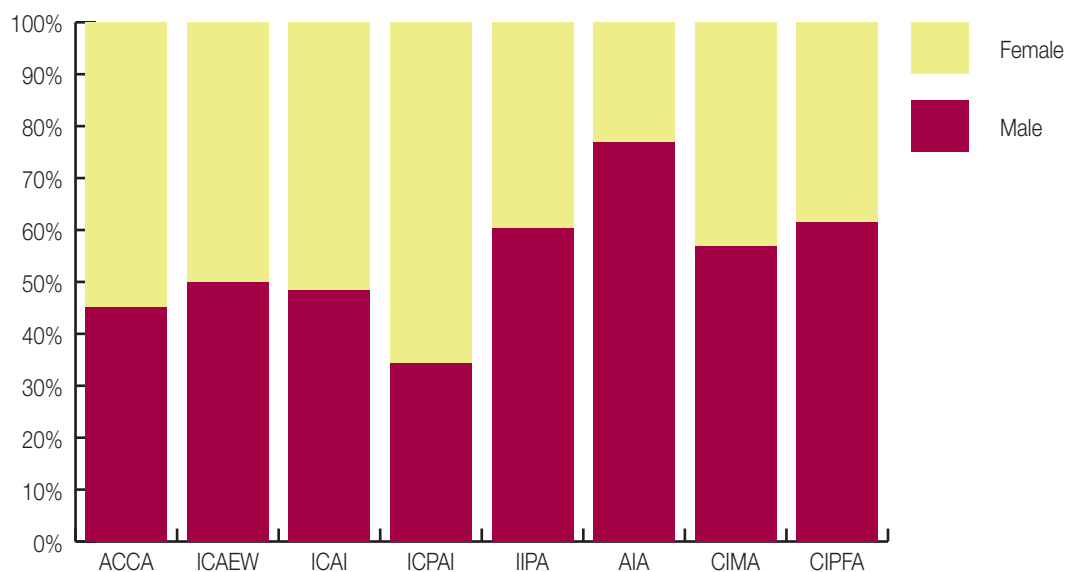


Table C.5: Students in Ireland - Employment Status

As at 31 December	2007 TOTAL	2008 TOTAL	Recognised Accountancy Bodies								
			ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Practice	8,023	7,396	2,245	0	4,689	0	417	29	16	0	0
Industry/Business	7,422	8,137	4,535	0	113	0	923	3	5	2,558	0
Public sector	1,181	796	597	0	11	0	142	0	0	33	13
In full-time education	877	1,052	939	0	107	0	6	0	0	0	0
Other	786	1,440	1,210	4	0	0	132	89	5	0	0
Total	18,289	18,821	9,526	4	4,920	0	1,620	121	26	2,591	13

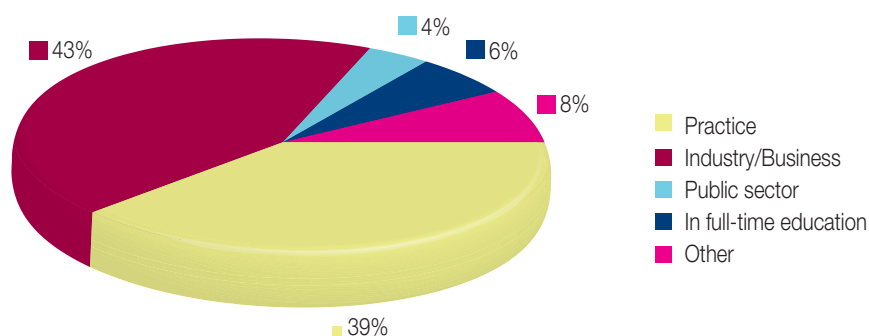
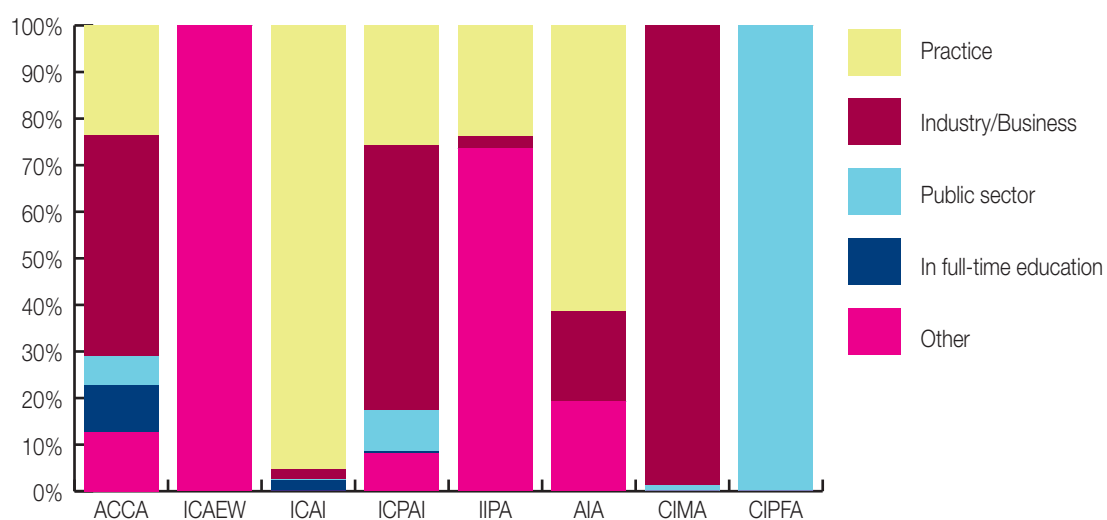
Chart C.6: Students in Ireland - Employment Status**Chart C.7: Students in Ireland - Comparison of Employment Status**

Table C.6: Students in Ireland - Age Profile

As at 31 December	2007 TOTAL	2008 TOTAL	Recognised Accountancy Bodies								
			ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
< 25	4,277	4,714	1,506	0	2,790	0	246	12	1	159	0
25 – 34	11,146	10,886	6,184	2	2,104	0	909	61	5	1,618	3
35 – 44	2,194	2,544	1,475	2	25	0	359	25	4	648	6
45 – 54	459	519	274	0	1	0	86	16	10	129	3
55 – 64	148	139	75	0	0	0	19	6	4	34	1
65+	19	19	12	0	0	0	1	1	2	3	0
DOB not known	46	-	-	-	-	-	-	-	-	-	-
Total	18,289	18,821	9,526	4	4,920	0	1,620	121	26	2,591	13

Chart C.8: Students in Ireland - Age Profile

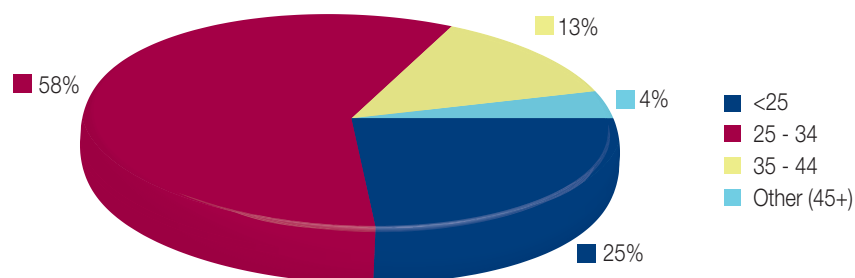


Chart C.9: Students in Ireland - Comparison of Age Profile

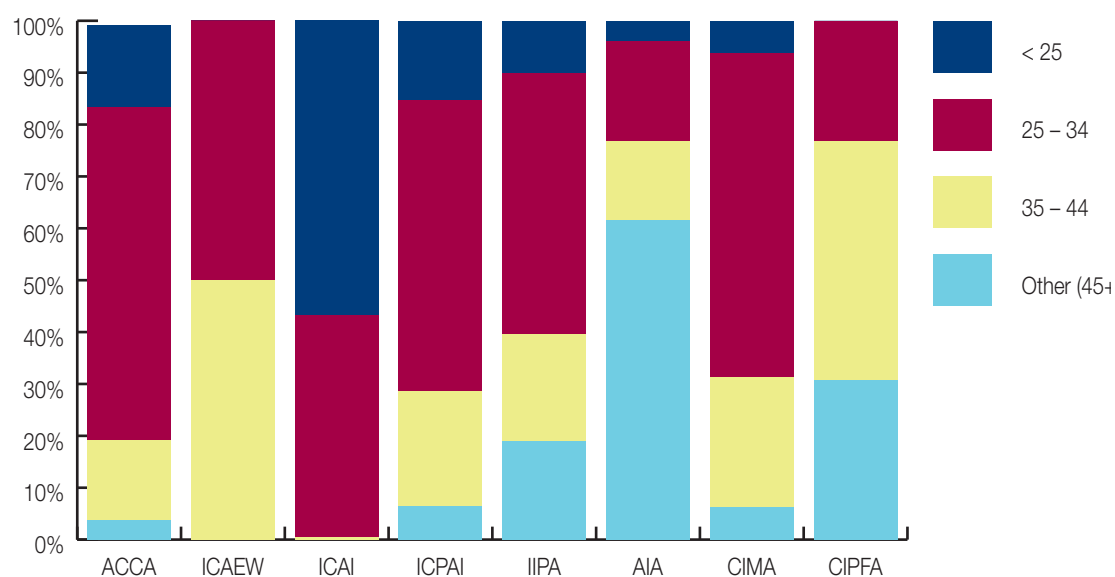
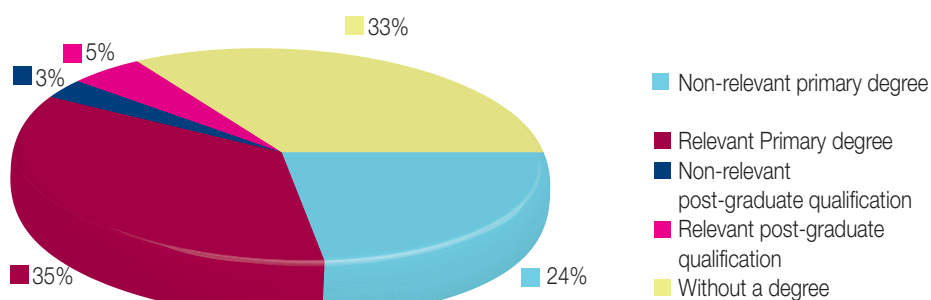


Table C.7: New students registered in Ireland - Educational Background

Students registered during the year	2007 TOTAL	2008 TOTAL	Recognised Accountancy Bodies								
			ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Non-relevant primary degree	1,225	1,159	923	0	140	0	15	4	1	76	0
Relevant primary degree	1,709	1,690	422	0	983	0	93	11	0	181	0
Non-relevant post-graduate qualification	1	152	135	0	0	0	2	0	0	15	0
Relevant post-graduate qualification	402	235	29	0	183	0	10	8	0	5	0
Without a degree	1,149	1,570	1,075	0	25	0	241	56	0	173	0
New students registered	4,486	4,806	2,584	0	1,331	0	361	79	1	450	0

Chart C.10: New Students in Ireland - Educational Background**Chart C.11: Students in Ireland - Comparison of New Students Registered During 2008**

Part D

Practising Authorisation

The tables in this Part provide information in respect of the practising authorisation activities of each of the PABs. As alluded to in Part A, the PABs impose additional requirements on those of their members wishing to engage in public practice (i.e. offer 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 their authorisations 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 show 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 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 a total of 31,133 PAB members authorised to engage in public practice, there are only 3,073 of those members located in Ireland. Of those located in Ireland, three PABs dominate the population, with ICAI members accounting for 54%, ACCA members at 20% and ICPAI members making up 17%.

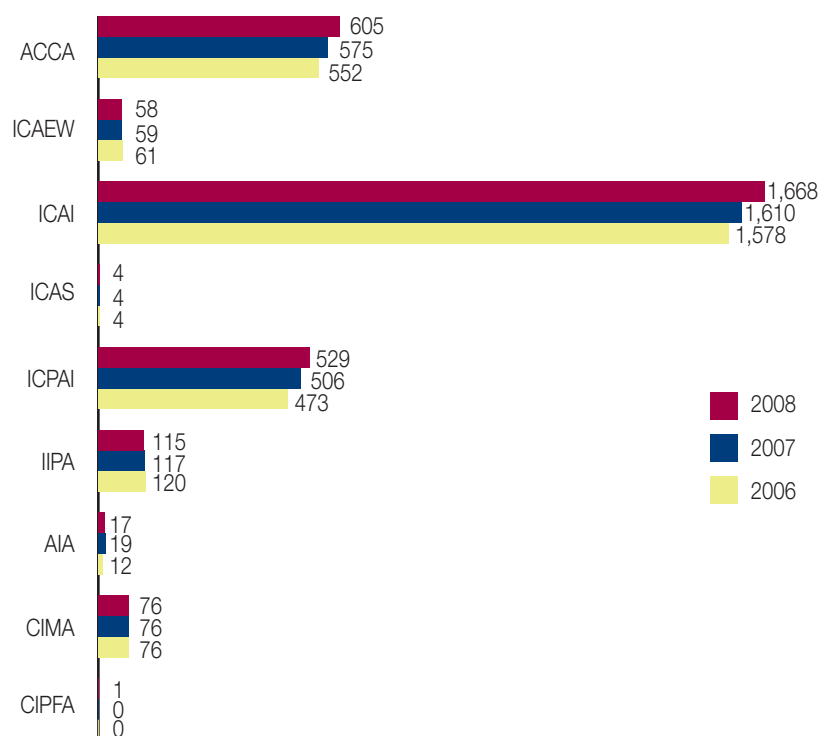


Table D.1: Members with Practising Certificates who are located in Ireland

As at 31 December, 2008	Recognised Accountancy Bodies									
	TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Whether the granting of a practising certificate is to an individual member or a firm	-	Member	Member	Member	Member	Member	Member	Member	Member	Member
Members with practising certificates at 1 January 2008	2,966	575	59	1,610	4	506	117	19	76	0
During the year:										
ADD: Members who were granted a new certificate during the year	215	60	2	105	0	33	5	1	8	1
LESS: Members who did not renew their practising certificate during the year	(100)	(28)	(3)	(41)	0	(10)	(7)	(3)	(8)	0
LESS: Practising certificates withdrawn by the Institute/ Association during the year	(5)	(2)	0	(3)	0	0	0	0	0	0
Other	(3)	0	0	(3)	0	0	0	0	0	0
Practising certificates at 31 Dec, 2008 (For members located in Ireland)	3,073	605	58	1,668	4	529	115	17	76	1
Practising certificates at 31 Dec, 2008 to practise in Ireland (For members worldwide)	31,133	1,209	23,366	2,279	1,795	531	115	17	1,482	339

Table D.2: Members with Practising Certificates who are located in Ireland 2006 - 2008

Practising certificates at 31 Dec (For members located in Ireland)	2006	2007	2008
ACCA	552	575	605
ICAEW	61	59	58
ICAI	1,578	1,610	1,668
ICAS	4	4	4
ICPAI	473	506	529
IIPA	120	117	115
AIA	12	19	17
CIMA	76	76	76
CIPFA	0	0	1
Total	2,876	2,966	3,073

Chart D.1: Members with Practising Certificates located in Ireland 2006-2008

Part E

Registered Auditors

The tables and charts in this Part provide information in respect of the registered auditor members/member firms of each of the six¹¹¹ Recognised Accountancy Bodies ('RABs').

Certain companies are obliged under company law to have their financial statements audited by a suitably qualified auditor or audit firm on an annual basis¹¹². 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 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 individual that has been 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 there are 4,986 auditors 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 1,533 (Table E.3). The majority (71%) of auditors with offices in Ireland operate as 1 principal firms (Table E.3), meaning that there is one partner in the firm, who may or may not employ a number of staff.

¹¹¹ The other three prescribed bodies (i.e. AIA, CIMA and CIPFA) are not RABs and cannot, therefore, confer audit authorisation on their members/member firms in Ireland.

¹¹² 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, 2008	Recognised Accountancy Bodies						
	TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Whether audit registration is by member or by firm	-	Firm	Firm	Firm	Firm	Firm	Member
Total number of registered auditors at 31 December	4,986	531	2,805	991	205	339	115
<i>Analysis of firms by number of principals:</i>							
1 principal	2,990	398	1,522	630	79	249	112
2 - 5 principals	1,757	128	1,129	332	75	90	3
6 - 10 principals	164	4	92	19	49	0	0
11 - 25 principals	50	1	44	3	2	0	0
26 - 50 principals	20	0	15	5	0	0	0
50 + principals	5	0	3	2	0	0	0
<i>Analysis of firms by number of offices</i>							
1 office	4,414	477	2,412	914	165	331	115
2 offices	402	44	262	56	33	7	0
3 offices	93	8	68	17	0	0	0
4 - 5 offices	56	2	44	3	6	1	0
6 - 10 offices	15	0	13	1	1	0	0
11 - 20 offices	5	0	5	0	0	0	0
More than 20 offices	1	0	1	0	0	0	0

Chart E.1: Comparison of Registered Auditors Worldwide by Number of Principals

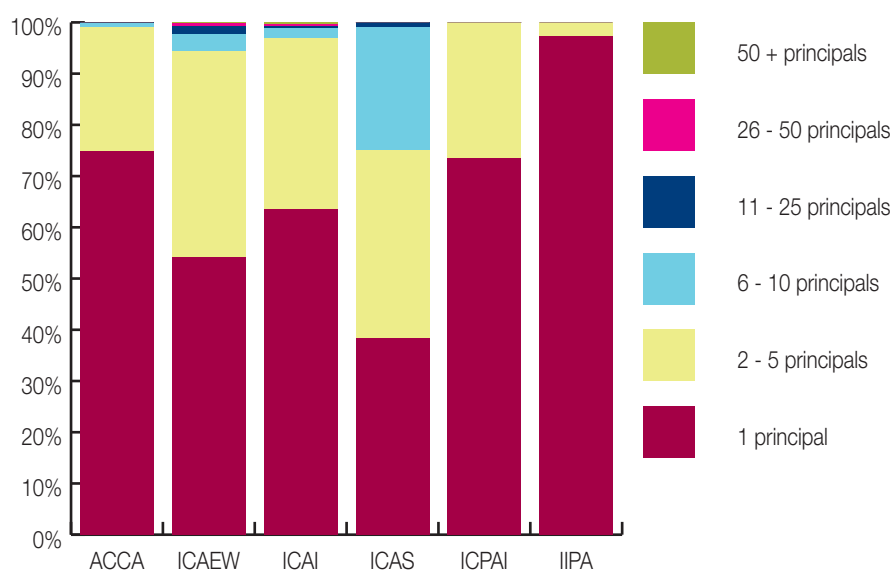


Chart E.2: Comparison of Registered Auditors Worldwide by Number of Offices

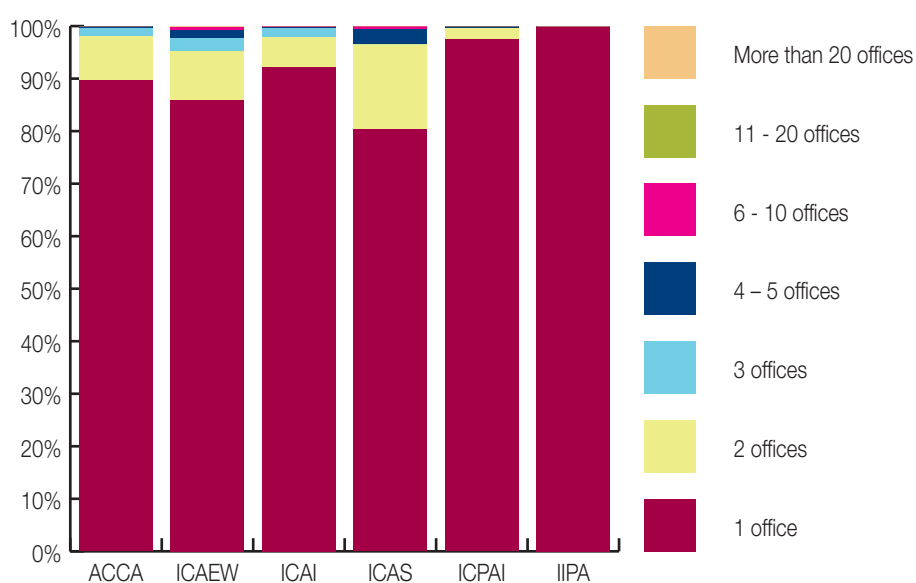
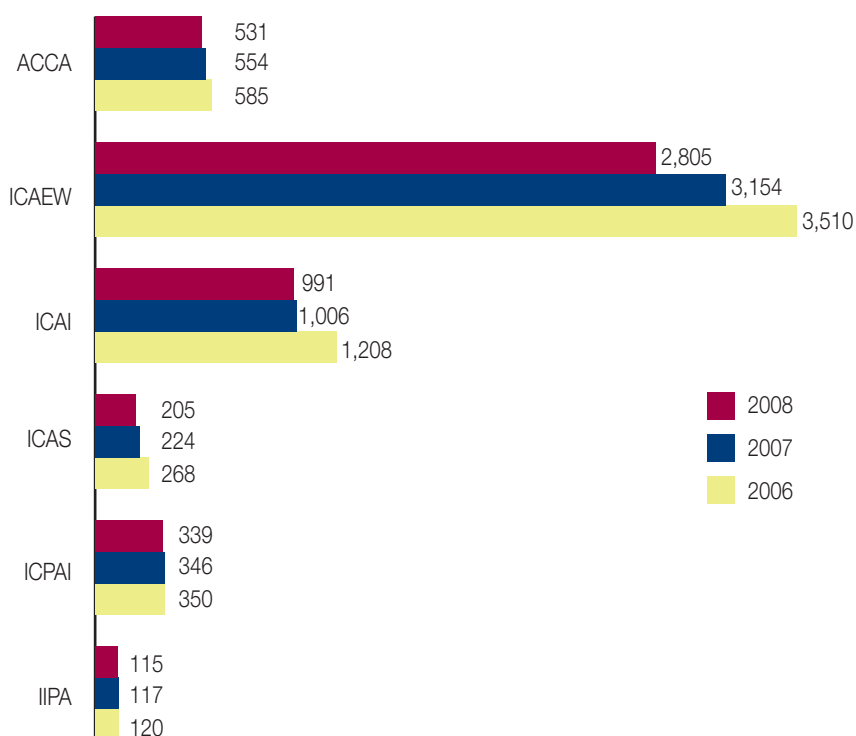


Table E.2: Registered Auditors Worldwide Movement from 2006 - 2008

As at 31 December	2006	2007	2008
ACCA	585	554	531
ICAEW ¹¹³	3,510	3,154	2,805
ICAI	1,208	1,006	991
ICAS	268	224	205
ICPAI	350	346	339
IIPA	120	117	115
Total	6,041	5,401	4,986

Chart E.3: Registered Auditors Worldwide 2006 - 2008



¹¹³ ICAEW figures have been re-stated for 2006 and 2007 to exclude corporate practices

Table E.3: Registered Auditors with offices in Ireland - Analysis by Principal and Offices

As at 31 December, 2008	Recognised Accountancy Bodies						
	TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Whether audit registration is by member or by firm	-	Firm	Firm	Firm	Firm	Firm	Member
Total number of registered auditors at 31 December	1,533	311	8	759	1	339	115
<i>Analysis of firms by number of principals:</i>							
1 principal	1,094	229	7	496	1	249	112
2 - 5 principals	416	79	1	243	0	90	3
6 - 10 principals	14	3	0	11	0	0	0
11 - 25 principals	2	0	0	2	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	1,453	284	8	714	1	331	115
2 offices	63	23	0	33	0	7	0
3 offices	12	3	0	9	0	0	0
4 - 5 offices	4	1	0	2	0	1	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 2006 - 2008

As at 31 December	2006	2007	2008
ACCA	311	307	311
ICAEW	10	7	8
ICAI	786	770	759
ICAS	1	1	1
ICPAI	350	346	339
IIPA	120	117	115
Total	1,578	1,548	1,533

Chart E.4: Registered Auditors with Offices in Ireland 2006 - 2008

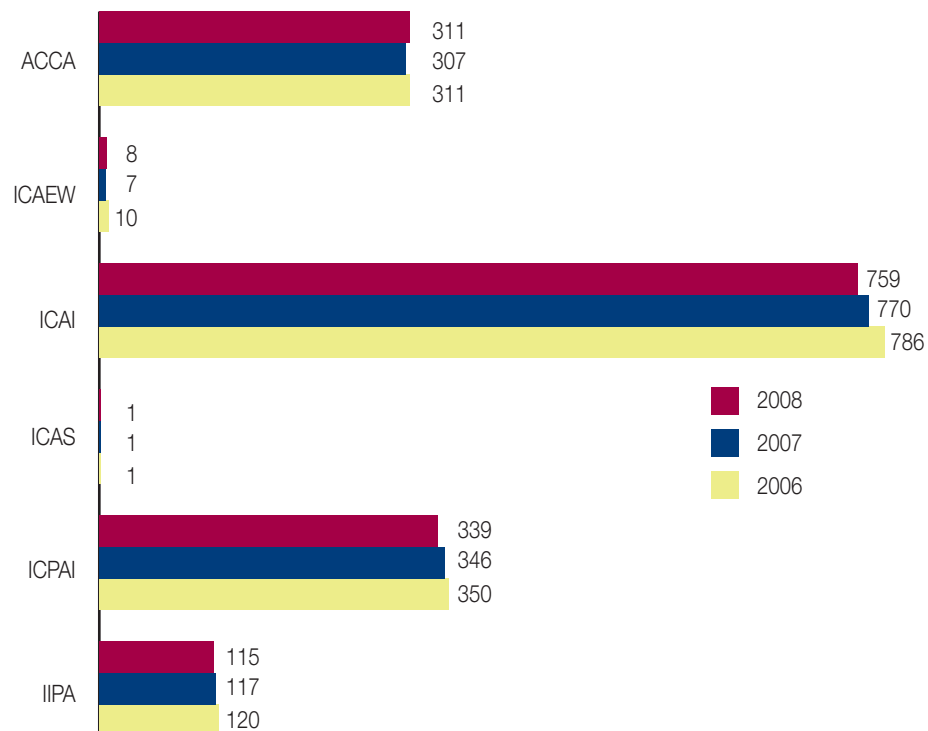


Table E.5: Registered Auditors - Movement during the year

Year to 31 December, 2008	Recognised Accountancy Bodies						
	TOTAL	ACCA	ICAEW ¹¹⁴	ICAI	ICAS	ICPAI	IIPA
Audit registrations at 1 January, 2008	5,401	554	3,154	1,006	224	346	117
During the year:							
ADD: New applications for audit registration accepted	172	47	66	34	6	14	5
LESS: Audit registrations withdrawn/not renewed following a request from the registered auditor	(556)	(66)	(400)	(38)	(25)	(20)	(7)
Audit registrations withdrawn/suspended as a result of disciplinary or other regulatory action taken by the Institute/Association	(31)	(4)	(15)	(11)	0	(1)	0
Other	0	0	0	0	0	0	0
Registered auditors at 31 December, 2008	4,986	531	2,805	991	205	339	115

Table E.6: Registered Auditors with office in Ireland - Movement during the year

Year to 31 December, 2008	Recognised Accountancy Bodies						
	TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Audit registrations at 1 January, 2008	1,548	307	7	770	1	346	117
During the year:							
ADD: New applications for audit registration accepted	69	25	1	24	0	14	5
LESS: Audit registrations withdrawn/not renewed following a request from the registered auditor	(72)	(19)	0	(26)	0	(20)	(7)
Audit registrations withdrawn/suspended as a result of disciplinary or other regulatory action taken by the Institute/Association	(10)	(2)	0	(7)	0	(1)	0
Other	(2)	0	0	(2)	0	0	0
Registered auditors at 31 December, 2008	1,533	311	8	759	1	339	115

¹¹⁴ The closing figure as at 31 December, 2007 (4,526) has been restated to exclude corporate firms, who cannot, under company law, undertake audits in Ireland.



Part F

Individually Authorised Auditors

As alluded to in Part E, section 187 of the 1990 Act provides that certain persons who, while not 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 2008.

Table F.1. List of Individually Authorised Auditors notified to the CRO during 2008

Sean Ardagh 168 Walkinstown Road Dublin 12	John Fahey 60 O'Connell Street Clonmel, Co. Tipperary	John F. Byrne Byrne and Co. Grange Bective Navan, Co. Meath	Vincent O'Connor 12 Brookville Gardens Clareview Limerick
John Browne Leader House Dublin Road Longford	Patrick D. Finnegan 339 Meadowbrook Kilcoole Co. Wicklow	Robert McDonald ACC House Shop Street Tuam, Co. Galway	Joseph Pattison 1 Jacob Street Kilkenny
St. John J. Costello 'Prospect' Castletroy Co. Limerick	Charles J. Flynn Unit 1B Village Court Lucan, Co. Dublin	J. A. Mullins 12 Doneen Road Woodview Limerick City	Patrick J. Rocks 9/10 Park Street Monaghan
Stephen Cullinane Grealy & Co. Galway Retail Park Headford Road, Galway	Patrick David Glynn Windemere Glendine Kilkenny	E.P. Murphy 3 Ballymace Green Templeogue Dublin 14	Michael Sheridan 3 Tramore Heights Tramore Co. Waterford
Gerard Joseph D'Arcy The Maples Drum, Athlone Co. Roscommon	John Hardiman The Manse Northgate Street Athlone, Co. Westmeath	Patrick J. Murphy Cummeen Strandhill Road Sligo	Lionel R. Steen 27 High Street Castlecomer Kilkenny
Mary Desmond Collins Red House Hill Patrickswell Co. Limerick	Leslie Vincent Hogan Monaleen Road Castletroy Limerick	Thomas O'Brien Dunkerron Leoville Dunmore Road, Waterford	Edward Thornley 100 Strand Road Sandymount Dublin 4
Cormac Gerard Duffy 44 Dominick Street Galway	John P. Keenan 25 St. Catherine's Park Glenageary Dun Laoghaire, Co. Dublin	Sean M. O'Carroll 53 Saran Wood Killarney Road Bray, Co. Wicklow	

Source: Companies Registration Office



Part G

Recognised Accountancy Bodies' Monitoring of Registered Auditors

As discussed in some detail in Chapter 3, the Act confers upon the Authority a function of supervising how each RAB monitors its members. Primary responsibility for the monitoring (i.e. quality assurance processes and monitoring of compliance with professional standards) of members and member firms resides with the RABs, under the Authority's supervision.

At this time, all of the RABs have in place regimes 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 the quality of work of those members who are Registered Auditors, information on other areas of members' activities such as investment business activity is not reported 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 purpose of assessing, amongst other things, the level of adherence to audit and ethical standards.

Each of the RABs seek to perform quality assurance reviews of authorised members or member firms by reference to pre-set cycles. The length of cycles varies between the RABs and within RABs, i.e. depending on the nature of members' or member firms' client bases (e.g. firms auditing listed clients or clients otherwise regulated would generally 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
Overview of the Quality Assurance System of the Recognised Accountancy Bodies

RAB	Details of the Quality Assurance System (Text re-produced as provided by the relevant RAB in its Annual Return)
ACCA	<p>When a firm first obtains audit registration from ACCA it will receive a monitoring visit within four years of this first registration. Subsequent visits will be carried out within a six year cycle. ACCA uses risk factors to determine when a firm will be visited within a visit cycle. Risk factors taken into account include the outcome of the previous visit, the number and type of audit clients and the length of time since the last visit. For example, firms, which have public interest clients or which carry out a significant amount of audit work or where the firm's structure indicates that control problems may exist, will be visited sooner than those which do not.</p> <p>Where ACCA finds that a firm still needs to make some improvements to its audit work it will be scheduled for a follow up visit within four years. Where the audit work is found to be seriously unsatisfactory the follow up visit will take place within two years or, if the findings are referred to a Regulatory Assessor or the Admissions and Licensing Committee, as the Regulatory Assessor or Committee directs.</p> <p>In accordance with ACCA's belief that the certainty of regular monitoring raises standards, all firms are monitored on a cyclical basis including those which do not carry out statutory audit work. However, firms which hold an auditing certificate but which do not hold any audit appointments are desk top monitored.</p> <p>All firms which hold a firm's auditing certificate from ACCA are subject to monitoring.</p> <p>The monitoring process focuses on a firm's compliance with its continuing obligations and the standard of its work. ACCA monitors compliance with its Global Practising Regulations (GPRs), which includes fitness and propriety, control of the firm and audit work, continuity arrangements, PII and CPD, and compliance with its Code of Ethics and Conduct (CEC), which includes independence, client money, money laundering and engagement letters. Both the GPRs and CEC are detailed in the <i>ACCA Rulebook</i>.</p>



RAB

Details of the Quality Assurance System

(Text re-produced as provided by the relevant RAB in its Annual Return)

Where a firm has audit appointments, or carries out other regulatory work for which it is necessary to be a registered auditor, ACCA monitors the standard of the work and compliance with auditing standards and any other relevant guidance and legislation.

The visit itself consists of three phases – an initial interview with the principals; a detailed inspection of relevant documents and a sample of completed audit files; and a final meeting to agree findings, recommendations and future action.

Initial interview – during the interview the compliance officer completes a standard programme, detailing factual information about the firm and its principals, staff and clients. Checks are made that the firm is complying with the continuing obligations attached to an auditing certificate. The interview also concentrates on the quality controls that the firm uses to ensure that work is carried out in accordance with statutory and professional requirements. This includes an examination of the firm's procedures for complying with audit requirements, involving a detailed review of planning and review arrangements, the use of audit programmes, the firm's audit approach and the recording of adequate audit evidence to support the audit conclusion.

File inspection – The compliance officer will select a sample of clients and inspect the files relating to the latest completed work for those clients. The primary objective of this review is to confirm the information gathered at the interview and to ensure that statutory and the firm's own procedures have been followed by reviewing documentary evidence of such compliance.

Conclusion and report – The compliance officer considers the overall visit findings and then discusses the salient points with the principals at the end of the visit. During this discussion, breaches and areas of weakness will be identified and appropriate recommendations will be

RAB

Details of the Quality Assurance System

(Text re-produced as provided by the relevant RAB in its Annual Return)

made; agreement will also be made as to the timing and type of remedial action to be taken by the firm. Following the visit the compliance officer will draft a report to the firm covering all the matters discussed at the final meeting. The report is reviewed by a second compliance officer before being issued to the firm. In many cases a written response from the firm is required, such as the firm's detailed proposals for remedying the deficiencies. The compliance officer will conduct follow up correspondence to check that all outstanding matters are properly concluded.

ICAEW

The default cycle for all ICAEW firms is six years as driven by the EU Statutory Audit Directive. However, the top 20 firms receive an annual visit and other firms with a listed audit client receive a visit every three years. The six year cycle may be varied for the following reasons:

- if a firm receives a poor monitoring visit (D grade) it will be selected for a visit after three years;
- certain risk factors may mean that a firm is selected for an earlier visit (e.g. a complaint or information given on the firm's annual return);
- if the Audit Registration Committee requests it.

The objective of the visit is to ensure that the firm complies with audit regulations and includes a review of work carried out by the firm. The visit is designed such that the reviewer obtains a full understanding of the practice and its clients. This includes a review of the firm's own annual compliance review and the steps the firm has taken to address any issues identified. If the reviewer wishes to place reliance on the firm's own annual compliance review, the visit will include a re-performance of some of the work performed. In addition a substantive review of client files is undertaken, with the sample being biased towards identified risks. The selection also ensures appropriate coverage of the firms' responsible individuals. A responsible individual is an individual within the firm who holds an audit



RAB

Details of the Quality Assurance System

(Text re-produced as provided by the relevant RAB in its Annual Return)

qualification and who is permitted by the firm to control audit work and sign audit reports in the firm's name. The firm's procedures for complying with ISQC1 are also tested. At the end of the visit an overall conclusion on the firm's compliance with Audit Regulations is reached.

ICAI

ICAI's quality assurance system is the process by which its Chartered Accounts Regulatory Board ('CARB') independently assesses registered auditors' compliance with its Audit Regulations. The Regulations include compliance with relevant standards and law and regulation.

The quality assurance process has two elements:

- annual return; and
- on-site inspections.

All audit firms are required to submit a detailed Annual Return which is subject to a risk based review by CARB. Following this review and where further action is required CARB engages with the firms to address risks identified from its analysis of the information on the return and may select a firm for an on-site inspection.

Firms are selected for on-site inspections using a targeted risk based approach. Quality assurance reviews to firms of registered auditors are conducted in accordance with the provisions of the Audit Regulations and Guidance. The scope of the quality assurance review to a registered auditor includes all of the areas detailed above and is accomplished by way of a credibility review of the financial statements of an audit client and a substantive review of engagement files. All inspections result in a detailed report which sets out under specific headings the firm's compliance with the provisions of ISQC1.

ICAS

In line with the EU 8th directive and IFAC's Statement of Membership Obligation 1 'Quality Assurance', the aim is to visit all firms at least once every six years and for firms auditing listed

RAB

Details of the Quality Assurance System

(Text re-produced as provided by the relevant RAB in its Annual Return)

companies at least once every three years in conjunction with the Audit Inspection Unit (AIU), although the nine largest firms in the UK require to be visited every 12-18 months (of which ICAS registers one firm). Within the cycle, most visits are selected on a risk basis, as explained below. Therefore, ICAS uses a combined cyclical and risk based visit approach.

The majority of visits are selected based on risk, which is carried out via checks on the Annual Return completed by each firm against an extensive number of risk criteria. Resulting risk reports together with other information about firms, such as press cuttings, disciplinary findings or other company search information are then considered by the head of unit who will then determine which firms will require a visit. While most firms are prioritised for a visit on the basis of this risk selection process, there are other reasons for selecting a visit such as firms which audit listed companies, receipt of complaints etc. Firms may also receive follow up visits as a result of previous visit findings, the focus being to test that the required improvements have been made since the previous visit.

The review team will select audit engagement files for review and commence with a credibility review to identify the key financial reporting and audit issues for that particular client and to provide the focus and direction for the file review. Following the credibility review for each audit file, Audit Monitoring will then review each audit file in detail against the Institute's Audit Regulations; the International Standards on Auditing (ISAs) and the applicable statutory and financial reporting standards (including FRSs or IFRSs). Following completion of file reviews, the adequacy of the firm's audit policies and procedures (e.g. fit and proper, independence and confidentiality procedures, appraisal procedures, CPD) is checked, as well as the firm's own internal monitoring system to ensure that these are effective and comply with the Audit Regulations, APB Ethical Standards and with ISQC1.

ICPAI

The Institute has a 6 year cycle for monitoring. Some risk based criteria are used for selection, but all firms are selected for review during the cycle. If a firm does not achieve a



RAB

Details of the Quality Assurance System

(Text re-produced as provided by the relevant RAB in its Annual Return)

satisfactory grade on a visit then follow up action is taken. Such follow-up action can take the form of a follow up on-site visit or a desk based file review. A firm remains in the cycle until it achieves a satisfactory grade. All new audit firms authorised receive a monitoring visit in the first year of operation. The annual monitoring plan is set once a year and includes both field monitoring visits and desk based reviews.

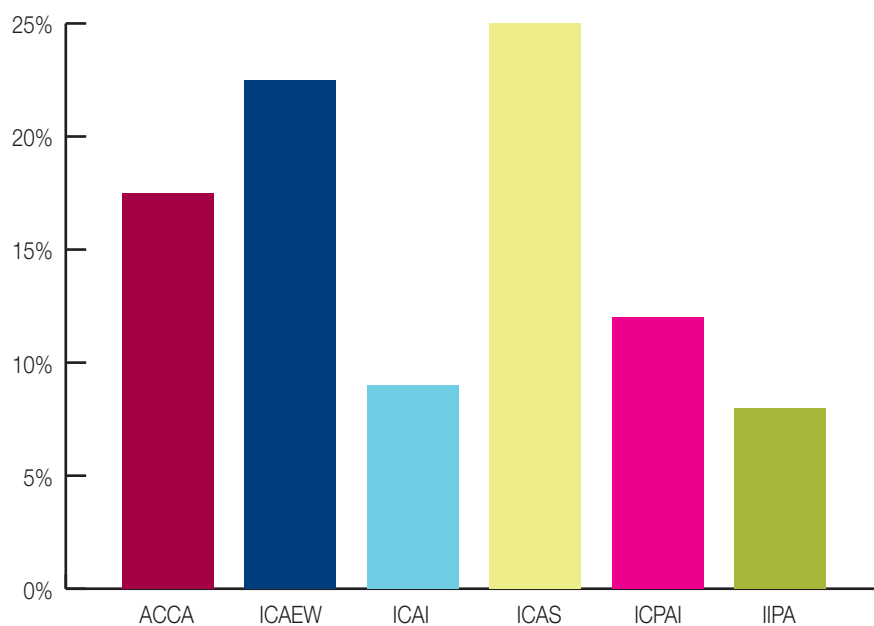
Internal control procedures are examined for compliance with CPA regulations and international quality control standards. A cross section of current engagement files are reviewed for compliance with financial reporting, accounting, auditing and ethical standards, legal requirements and compliance with taxation regulations.

IIPA

IIPA has two cycles in operation, comprising three years and five years. In January of each year, the Monitoring Committee meets to establish the number of visits to be carried out in the said year. Some visits will be based on random selection and others will be targeted based on risk assessment. Risk assessment entails such files as follows – Insurance Brokers, Investment Companies, Credit Unions, Solicitors, Co-ops and any other such categories that have public dealings and that handle client funds on their behalf. Having carried out the assessment, this in turn helps determine the number of Monitoring Visits for the year. It will also determine the cycle that applies to each member. Those members in the risk category will be visited every 3 years, while all other members will be subject to a five year cycle unless their circumstances change.

Table G.2: Registered Auditors - Quality assurance reviews: summary of activities

Year to 31 December, 2008	Recognised Accountancy Bodies					
	ACCA	ICAEW	ICAI	ICAS	ICPAI ¹¹⁵	IIPA
Number of quality assurance reviews open at 1 January, 2008	11	152	17	0	0	0
ADD: Quality assurance on-site visits carried out during 2008	92	930	95	49	41	9
LESS: Quality assurance reviews concluded during 2008	(94)	(988)	(88)	(48)	(41)	(7)
Quality assurance reviews open at 31 December, 2008	9	94	24	1	0	2

Chart G.1: % of on-site visits by total number of registered auditors

Note: Chart G.1: As noted in the introduction to 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.

¹¹⁵ Opening figure re-stated for consistency with other RABs' presentation.



Table G.3: Quality assurance on-site visits during 2008

Year to 31 December, 2008	Recognised Accountancy Bodies					
	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Number of expected quality assurance on-site visits to be undertaken in 2008 ¹¹⁶	119	800	0	45	75	10
Number of visits actually undertaken in 2008	92	930	95	49	41	9
Analysis of the reasons for each visit:						
Number of members/firms selected for a visit as part of normal cycle (randomly/routinely)	61	801	37	0	33	4
Number of members/firms specifically selected and visited due to heightened risk (excluding early follow-ups)	0	88	39	49	0	3
Number of members/firms that were visited following a referral from a committee	11	41	8	0	2	0
Number visited as re-review/early follow-up	20	0	4	0	6	2
Other reason	0	0	7	0	0	0
Analysis of members/firms visited by size						
1 principal	57	375	50	21	34	7
2-5 principals	31	434	37	25	7	2
6-10 principals	4	78	4	3	0	0
11-25 principals	0	22	2	0	0	0
26-50 principals	0	9	1	0	0	0
More than 50 principals	0	12	1	0	0	0

Table G.4: Registered Auditors - Staff involved in quality assurance

	Recognised Accountancy Bodies					
	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Number of whole-time equivalent staff involved in quality assurance of registered auditors	14	47	22	2.8	4	1
No. of whole-time equivalent staff performing quality assurance on-site visits to registered auditors	8	33	9	2.8	2	1

¹¹⁶ ICAI does not set a target for a given year, but rather over a rolling 3 to 6 year period to comply with the requirements of the 8th Directive.

Table G.5: 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 firm's holding a firm's auditing certificate valid in Ireland during 2008.

Visit reason	A/B	C+	C-	D	Total
New/Routine	24	26	7	8	65
Early follow-up (4 years)	8	3	-	5	16
Early follow-up (2 years)	4	-	-	1	5
Investigative	-	-	-	-	-
Committee ordered visit	4	-	-	4	8
Total	40¹	29	7	18	94

¹ – three of these firms had no audit clients

Key to grades awarded:

A/B: Good/Satisfactory;

C+: Unsatisfactory and improvements required;

C-: Unsatisfactory and significant improvements required;

D: Regulatory action required.

Note 2: ICAEW Grades awarded¹¹⁷

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.	544
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.	218
D4: No conditions or restrictions are proposed but the committee may wish to impose regulatory penalties or refer to investigations.	14
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.	33
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.	55
D1: The "Quality Assurance Directorate" recommends that the firm's audit registration should be withdrawn.	22
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.	44
Total	987

¹¹⁷ Grades awarded exclude one pre-registration visit conducted during the year.



Note 3: ICAI Grades awarded¹¹⁸

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.	23
C: Instances of non-compliance noted and the firm has undertaken to take actions that address the issues raised, and follow-up is required.	39
D4: No conditions or restrictions to be imposed but may impose regulatory penalties or refer to investigations.	0
D3: Conditions or restrictions to be imposed, but loss of registration or authorisation not being proposed	19
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.	4
Total	94

Note 4: ICAS Grades awarded

Grade	No.
A: No issues to deal with	0
B: Some regulatory areas, but they have been adequately addressed by the firm's closing meeting responses	19
C: Regulatory issues arising and a need for the firm to show that planned changes have occurred	19
D3: Findings requiring follow-up actions such as imposition of conditions and restrictions	5
D2: Committee to consider withdrawing audit registration or to impose serious conditions and restrictions.	3
D1: Proposing withdrawal or audit registration	2
Total	48

Note 5: ICPAI Grades awarded

Type of review	A	B	C	D	No Grade	Total
Normal review	10	17	4	2	-	33
Re-review	-	3	2	1	-	6
Committee referral	-	-	1	1	-	2
Total	10	20	7	4	-	41

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

¹¹⁸ Grades awarded include details of grades awarded in respect of visits concluded during 2007, where the grade was formally confirmed subsequent to year-end.

Note 6: IIPA Grades awarded

IIPA does not award formal grades. Where issues are identified these are detailed in the report of the Monitoring Committee and recommendations are made on future conduct where required.

Cases are referred to the Investigation Committee where necessary. The Monitoring Committee may also choose to undertake a revisit to ensure that recommendations have been complied with.

Table G.6: Registered Auditors - Outcome of Quality Assurance Visits: actions

Year to 31 December, 2008	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	25	6	0	0	0
Number who have had their audit registration suspended as a result of the findings of a quality assurance review	0	0	6	0	0	0
Number referred to an investigations and disciplinary process	1	23	3	4	6	2
Number who have had a follow up on site visit imposed	10	5	1	2	0	0
Number who have hot file reviews ¹¹⁹ imposed	10	6	4	7	0	0
Number who have cold file reviews ¹²⁰ imposed	0	29	24	19	0	0
Number who have had monetary penalties imposed	0	37	5	0	0	0
Number who have had a desk-top review of client files imposed	0	0	0	0	24	0
Number directed to address CPD/training matters	0	44	35	23	0	0
Number directed not to accept further audit appointments	0	66	3	0	0	0
Number directed to resign from a client	0	0	6	0	0	0
Number of other conditions/restrictions	2	259	24	0	1	1

¹¹⁹ A hot file review is a review of an audit by a qualified person, other than the person responsible for the audit, subsequent to the completion of the audit work, but in advance of the audit opinion being issued.

¹²⁰ A cold file review is a review of an audit by a qualified person, other than the person responsible for the audit, subsequent to the audit opinion being issued.

Financial & Related Statements



Report of the Directors

Introduction

The directors are pleased to submit to the third Annual General Meeting of the Irish Auditing and Accounting Supervisory Authority ('IAASA') the Authority's financial statements for the year ended 31 December, 2008, 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, 2008, 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. Jim Kelly

Nominee of the Revenue Commissioners

Mr. Tony Kelly

Nominee of the Prescribed Accountancy Bodies

Mr. Brendan Kennedy

Nominee of the Pensions Board

Mr. Pat A. Houlihan

Civil Servant, Ministerial nominee

Mr. David Martin

Nominee of the Prescribed Accountancy Bodies

Mr. Donal O'Connor

Nominee of the Prescribed Accountancy Bodies

Senator Joe O'Toole

Nominee of the Irish Congress of Trade Unions

Mr. Gerard Scully

Nominee of the Irish Stock Exchange

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 12 May, 2009 and signed on its behalf:

Karen Erwin
Chairperson

Ian Drennan
Chief Executive

Michael Deasy
Chairperson, Audit Committee

Statement on the System of Internal Financial Control

Responsibility for system of internal financial control

On behalf of the Board of Directors of the Irish Auditing & 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 Deloitte to act as internal auditors and to report to the Audit Committee. The Audit Committee, which comprises 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, 2008, 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 2006. 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 12 May, 2009 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 2008 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 2006. 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 2008 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Companies Acts 1963 to 2006.

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
20 May 2009



Statement of Accounting Policies for the year ended 31 December, 2008

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 Fund¹²¹ 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

¹²¹ As detailed in Note 4

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' 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 Prescribed Accountancy Bodies for the purpose of meeting up to 60% of the Authority's approved Programme of Expenditure. The aggregate of the Prescribed Accountancy Bodies' 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 Prescribed Accountancy Bodies are designed to meet 60% of the Authority's expenditure in the period, Prescribed Accountancy Body levy income recognised in the Income & Expenditure Account represents the amount necessary to meet 60% of the Authority's net 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 Prescribed Accountancy Bodies 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, 2008. 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 Prescribed Accountancy Bodies; 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. Prescribed Accountancy Bodies' Levies – Reserve Fund

The aggregate of the Prescribed Accountancy Bodies' 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 Prescribed Accountancy Bodies' 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 primary¹²² and secondary¹²³ 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 OPW 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.

7. Superannuation

The interim arrangements that the Authority has in place with regard to employees' superannuation benefits are described in Note 20. 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.

¹²² The Investment Funds, Companies and Miscellaneous Provisions Act, 2006.

¹²³ Statutory Instrument SI 277 of 2007 - Transparency (Directive 2004/109/EC) Regulations 2007.

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 I.T. 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).



Income & Expenditure Account for the year ended 31 December, 2008

		2008	2007
	Note	€	€
Income	4	1,974,466	1,655,813
Administrative Expenses			
Staff Costs	5	1,121,177	860,229
Directors' Fees		104,000	104,000
Accommodation	6	177,514	177,849
Travel & Subsistence		67,022	61,618
Consultancy	7	238,834	142,737
Office Expenses	8	145,814	119,898
Official Entertainment		3,533	2,624
Information Technology	9	33,643	32,929
HR & Professional Development	10	47,214	29,858
Insurance		25,232	29,435
Auditor's Remuneration		12,000	12,000
Depreciation	11	5,157	4,442
		(6,674)	78,194
Interest Receivable		17,959	19,126
Surplus for the year before Deposit Interest Retention Tax		11,285	97,320
Deposit Interest Retention Tax	12	(5,231)	(5,361)
Surplus for the year after Deposit Interest Retention Tax		6,054	91,959
Transferred from/(to) Capital Account	15	502	(5,818)
Transferred to Reserve Fund	16	(6,556)	(86,141)
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 23 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 12 May, 2009 and signed on its behalf:

Karen Erwin
Chairperson

Ian Drennan
Chief Executive

Michael Deasy
Chairperson, Audit Committee

Balance Sheet as at 31 December, 2008

			2008	2007
		Note	€	€
Fixed Assets	Tangible Fixed Assets	11	8,817	9,319
Current Assets	Stock on Hand		2,787	3,565
	Exchequer Grant Income Debtor	4.5	4,604	80,434
	Debtors & Prepayments		21,854	20,081
	Bank & Cash	13	741,396	716,778
			<u>770,641</u>	<u>820,858</u>
Creditors: Amounts falling due within 1 year				
	Creditors & Accruals		121,174	94,082
	Deferred Rent Incentive	14	1,452	1,452
	PAB Levy Income Carried Forward	4.5	<u>360,847</u>	<u>443,260</u>
			<u>483,473</u>	<u>538,794</u>
Net Current Assets			287,168	282,064
Amounts falling due after 1 year				
	Deferred Rent Incentive	14	23,296	24,748
Net Assets			<u><u>272,689</u></u>	<u><u>266,635</u></u>
Reserves	Income & Expenditure Account		0	0
	Capital Account	15	8,817	9,319
	Reserve Fund	16	<u>263,872</u>	<u>257,316</u>
			<u><u>272,689</u></u>	<u><u>266,635</u></u>

The Statement of Accounting Policies, Cash Flow Statement and Notes 1 to 23 form part of these financial statements.

Approved and authorised for issue by the Board of Directors on 12 May, 2009 and signed on its behalf:

Karen Erwin
Chairperson

Ian Drennan
Chief Executive

Michael Deasy
Chairperson, Audit Committee

Cash Flow Statement for the year ended 31 December, 2008

		2008	2007
	Note	€	€
Net Cash Inflow from Operating Activities	17	7,525	6,056
Return on Investments & Servicing of Finance			
Interest Received		27,185	24,477
Capital Expenditure			
Payments to Acquire Tangible Fixed Assets		(4,655)	(10,260)
Taxation			
Deposit Interest Retention Tax (DIRT) Paid		(5,437)	(4,895)
Management of Liquid Resources			
Amounts Transferred to Fixed Term Deposits		-	(30,000)
Interest Reinvested in Fixed Term Deposits (Net of DIRT)		(21,748)	(19,582)
Increase/(Decrease) in Cash		2,870	(34,204)
Reconciliation of Net Cash Flow to Movement in Net Funds			
Increase/(Decrease) in Cash in Year	18	2,870	(34,204)
		2,870	(34,204)

The Statement of Accounting Policies and Notes 1 to 23 form part of these financial statements.

Approved and authorised for issue by the Board of Directors on 12 May, 2009 and signed on its behalf:

Karen Erwin
Chairperson

Ian Drennan
Chief Executive

Michael Deasy
Chairperson, Audit Committee

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. 2) Order 2007).

The period covered by the financial statements is the year ended 31 December, 2008

Note 2 - Comparatives

The comparative figures refer to the year ended 31 December, 2007.

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 €2,343,000 [2007: €2,353,000] as laid out below. In addition, Exchequer funding to a maximum of €212,000 [2007: €160,000] 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%) €	PABs (60%) €	Total €
Recurrent Expenditure (as approved under S. 13(4) of the Act)	937,000	1,406,000	2,343,000
Reserve Fund	-	-	-
Sub-total	937,000	1,406,000	2,343,000
Approved allocation in respect of Transparency Directive	212,000	-	212,000
Total	1,149,000	1,406,000	2,555,000

4.2 Income (Accounting Policies 3, 4 and 5 refer)

	2008 €	2007 €
<i>Recurrent Income under the Act (Note 4.4)</i>		
Exchequer Grant Income	704,275	612,858
Prescribed Accountancy Bodies' Levies	1,056,413	919,287
	<u>1,760,688</u>	<u>1,532,145</u>
<i>Reserve Fund Income</i>		
Exchequer Grant Income	-	32,000
Prescribed Accountancy Bodies' Levies	-	48,000
Interest Receivable on Reserve Fund Monies (Gross)	8,195	7,677
	<u>8,195</u>	<u>87,677</u>
<i>Income in respect of Transparency Directive Activity (Note 4.4)</i>		
Exchequer Grant Income	203,860	34,068
Prescribed Accountancy Bodies' Levies	-	-
	<u>203,860</u>	<u>34,068</u>
<i>Miscellaneous Income</i>		
EU Refunds in respect of travel expenses	1,723	1,923
	<u>1,723</u>	<u>1,923</u>
	<u>1,974,466</u>	<u>1,655,813</u>

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

	2008 €	2007 €
Gross Expenditure per Income & Expenditure Account	1,981,140	1,577,619
Add: Unamortised value of income used for capital acquisitions	(502)	5,818
	<u>1,980,638</u>	<u>1,583,437</u>
Less: Miscellaneous Income	(1,723)	(1,923)
Non-reserve fund interest (net of DIRT)	(14,367)	(15,301)
Net expenditure for the year	<u>1,964,548</u>	<u>1,566,213</u>
Net Expenditure related to:		
Transparency Directive obligations	203,860	34,068
Activities under the 2003 Act (Note 4.2)	1,760,688	1,532,145
	<u>1,964,548</u>	<u>1,566,213</u>
Net expenditure attributable to the Exchequer		
i. Transparency Directive (100%)	203,860	34,068
ii. Obligations under the Act (40%)	704,275	612,858
Net expenditure attributable to the PABs	1,056,413	919,287
	<u>1,964,548</u>	<u>1,566,213</u>



4.5 - Calculation of Grant Debtor / Levy Carry Forward

	Exchequer €	PABs €	TOTAL €
Balance at 1 January, 2008	80,434	(443,260)	(362,826)
Attributable net expenditure (<i>Note 4.4 refers</i>)	908,135	1,056,413	1,964,548
Grants/Levies received in the year	(983,965)	(974,000)	(1,957,965)
Debtor/(Levy Carry Forward) at 31 December, 2008	4,604	(360,847)	(356,243)

Note 5 - Staff Costs

	2008 €	2007 €
Salaries	868,665	644,204
Employer PRSI Contributions	80,507	63,139
Employer Pension Contributions (<i>Note 20</i>)	172,005	131,819
Agency Fees - Temporary clerical staff	-	21,067
	1,121,177	860,229

The average number of employees during the year was 11 [2007: 8].

The Authority's complement of full time staff at 31 December, 2008 was 12 [2007: 9].

Note 6 - Accommodation

	2008 €	2007 €
Rent (<i>Note 14</i>)	117,711	116,223
Building service charges	18,594	19,798
Millennium park service charges	8,703	8,703
Insurance	2,102	2,809
Rates	18,678	17,969
Other room hire	11,726	12,347
	177,514	177,849

Note 7 - Consultancy

	2008	2007
	€	€
Financial statement review (transparency directive)	110,996	-
Legal advice	81,486	108,810
Internal audit & actuarial services	34,550	32,819
Recruitment & recruitment related costs	6,715	(6,111)
PR consultancy	3,938	1,815
Disability access	1,149	-
Trade mark services	-	3,694
HR advice	-	1,710
	238,834	142,737

Note 8 - Office Expenses

	2008	2007
	€	€
Post & telecommunications	17,651	15,546
Printing & stationery	24,261	37,351
Repairs & maintenance	4,346	1,783
Advertising & publicity	19,502	23,700
Recruitment related advertising	55,986	24,950
Periodicals & newspapers	5,725	3,345
Cleaning & hygiene services	7,149	6,427
Light & heat	9,709	6,140
Sundries	1,485	656
	145,814	119,898

Note 9 - Information Technology

	2008	2007
	€	€
Software & licences	14,187	17,079
Peripherals & consumables	2,140	2,454
Maintenance contracts	11,207	11,442
Internet services	3,547	1,857
Website development	2,562	97
	33,643	32,929



Note 10 - HR & Professional Development

	2008	2007
	€	€
Continuing professional development & other professional training	24,821	9,969
Reference materials & subscriptions	8,770	7,851
Educational support	-	3,200
Professional membership subscriptions	13,623	8,838
	47,214	29,858

Note 11 - Tangible Fixed Assets

	IT Equipment 33.33% €	Office Equipment 20.00% €	Furniture & Fittings 12.50% €	Total €
Cost				
At 1 January, 2008	10,793	4,068	248	15,109
Additions	4,306	349	-	4,655
Disposals	-	-	-	-
At 31 December, 2008	15,099	4,417	248	19,764
Accumulated depreciation				
At 1 January, 2008	4,543	1,216	31	5,790
Charge for year	4,243	883	31	5,157
At 31 December, 2008	8,786	2,099	62	10,947
Net book value				
At 1 January, 2008	6,250	2,852	217	9,319
At 31 December, 2008	6,313	2,318	186	8,817

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

	2008	2007
	€	€
Bank - current	90,788	88,027
Bank - notice deposit	650,408	628,660
Cash on Hand	200	91
	<u>741,396</u>	<u>716,778</u>

€261,970 [2007: €255,779] of the funds held in the Authority's bank accounts at 31 December, 2008 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	<u><u>715,081</u></u>

The notional Net-Book Value of these assets at the balance sheet date, had they been depreciated in accordance with IAASA policies, would be €318,651 [2007: €402,155].

Note 15 - Capital Account

	2008	2007
	€	€
Opening Balance - 1 January	9,319	3,501
Transfer from Income & Expenditure Account:		
Income applied to capitalised asset acquisitions	4,655	10,260
Less: Amortisation in line with asset depreciation	(5,157)	(4,442)
Closing Balance - 31 December	<u><u>8,817</u></u>	<u><u>9,319</u></u>

Note 16 - Reserve Fund Reserve

	2008	2007
	€	€
Opening Balance - 1 January	257,316	171,175
Transferred from Income & Expenditure Account:		
Exchequer Grant Income	-	32,000
Prescribed Accountancy Bodies' Levies	-	48,000
Interest Receivable on Reserve Fund Monies (net of DIRT)	6,556	6,141
Closing Balance - 31 December	<u>263,872</u>	<u>257,316</u>

Note 17 - Reconciliation of Surplus for the year to Net Cash from Operating Activities

	2008	2007
	€	€
Surplus for the year after Deposit Interest Retention Tax	6,054	91,959
Non Operating Items:		
Less: Interest Received (Net of DIRT)	(21,748)	(19,582)
	<u>(15,694)</u>	<u>72,377</u>
Add:		
Increase/(Decrease) in Creditors & Accruals	27,091	(38,551)
Increase/(Decrease) in PABs' Levies carry forward	(82,413)	(14,187)
Decrease/(Increase) in Debtors & Prepayments	74,058	(17,916)
Decrease/(Increase) in Stock	778	1,343
Increase/(Decrease) in Deferred Rent Incentive	(1,452)	(1,452)
Depreciation	5,157	4,442
	<u>23,219</u>	<u>(66,321)</u>
Net Cash Inflow from Operating Activities	<u>7,525</u>	<u>6,056</u>



Note 18 - Analysis of Changes in Net Funds

	Cash at Bank & on Hand	Cash on Fixed Term Deposit	TOTAL
Balance at 1 January, 2008	88,118	628,660	716,778
Cash flow for year	2,870	21,748	24,618
Balance at 31 December, 2008	90,988	650,408	741,396

Note 19 - Financial Commitments

19.1 Capital commitments

There are no capital commitments as at 31 December, 2008.

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 - 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% [2007: 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 31-12-2008	At 31-12-2007
Rate of increase in salaries	4.00%	4.50%
Rate of increase in pensions in payment	4.00%	4.50%
Discount rate	5.90%	5.60%



Inflation assumption	2.00%	2.50%
Life expectancy at age 70: male	17.4 years	16.2 years
Life expectancy at age 70: female	20.3 years	19.0 years

Based on the above, the present value of liabilities at the balance sheet date is €219,000 [2007: €269,000], and the service cost for the year is €172,005 [2007: €132,606]. 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 21 - 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 22 - Related Party Transactions

During the financial year, a total of €5,142 [2007: Nil] was paid to Ms Karen Erwin, Chairperson, in respect of professional services in connection with recruitment and selection. No amounts were outstanding at year end.

Note 23 - Approval of the Financial Statements

The Financial Statements were approved and authorised for issue by the Board of Directors on 12 May, 2009.

Appendices



Appendix 1

Respondents to the Authority's consultation exercise on Interim Section 24 Regulations

1. Association of Chartered Certified Accountants (ACCA)
2. Association of International Accountants (AIA)
3. Chartered Accountants' Regulatory Board
4. Chartered Institute of Management Accountants (CIMA)
5. Chartered Institute of Public Finance & Accountancy (CIPFA)
6. Consultative Committee of Accountancy Bodies / Consultative Committee of Accountancy Bodies – Ireland
7. Ernst & Young
8. Institute of Chartered Accountants in England & Wales (ICAEW)
9. O'Lorcain, Mr J.



Appendix 2

Presentations delivered by Authority staff during 2008

Topic	Forum/Audience	Presenter	Date
An overview of IAASA	MBS in Accounting students, Dublin City University	Eileen Townsend, Project Manager, Financial Reporting Supervision Unit	March 2008
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 Unit	March 2008
Accounting & financial reporting in Ireland	Staff of the Department of Enterprise, Trade & Employment	Eileen Townsend, Project Manager, Financial Reporting Supervision Unit	May 2008
Authority's financial reporting review findings and associated Commentary	Seminar hosted by the ICAI	Michael Kavanagh, Head of Financial Reporting Supervision	July 2008
Authority's supervision of the Prescribed Accountancy Bodies	ICPAI / Lithuanian Chamber of Auditors	Trevor Rushe, Project Manager, Regulatory & Monitoring Supervision Unit	September 2008
Authority's financial reporting supervision remit and review findings to date	KPMG Management Conference	Michael Kavanagh, Head of Financial Reporting Supervision	September 2008
Accounting regulation in Ireland	MBS in Accounting students, Dublin City University	Eileen Townsend, Project Manager, Financial Reporting Supervision Unit	October 2008

Articles authored by Authority staff during 2008

Article Details	Author
'Independent review of financial reports – Impact of the Transparency Directive', Accountancy Ireland, August 2008	Michael Kavanagh, Head of Financial Reporting Supervision
'Financial reporting: supervision role of IAASA – findings to date', ACCA Ireland's 'Accounting Matters', September 2008	Michael Kavanagh, Head of Financial Reporting Supervision

Appendix 3

Authority Memberships/Representations

Forum	Authority Member / Representative
Accounting Standards Board (ASB)	Ian Drennan (alternate: Michael Kavanagh)
Auditing Practices Board (APB)	Ian Drennan
Company Law Review Group (CLRG) – Plenary	Ian Drennan (alternate: John O'Malley)
European Enforcers' Co-ordination Sessions (EECS)	Michael Kavanagh
EECS Agenda Group	Michael Kavanagh
European Group of Auditors' Oversight Bodies (EGAOB)	Ian Drennan
EGAOB - Sub-group Co-operation	Ian Drennan
EGAOB - Sub-group Quality Assurance	Helen Hall
International Forum of Independent Audit Regulators	Ian Drennan Helen Hall
Department of Enterprise, Trade & Employment Working Group on the transposition of the Statutory Audit Directive	Ian Drennan Helen Hall



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
APB	Auditing Practices Board
ASB	Accounting Standards Board
ASB Statement	ASB Statement entitled ' <i>Half-Yearly Financial Reports</i> '
Authority / IAASA	Irish Auditing & Accounting Supervisory Authority
Bank, the	Anglo Irish Bank Corporation plc
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
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
CPD	Continuing Professional Development
CRO	Companies Registration Office
EEA	European Economic Area
EECS	European Enforcers' Co-ordination Sessions
EU	European Union
EGAOB	European Group of Auditors' Oversight Bodies
FRS	Financial Reporting Standard(s)



FRSSE	Financial Reporting Standard for Smaller Entities
GAAP	Generally Accepted Accounting Principles
IAS	International Accounting Standard(s)
IASB	International Accounting Standards Board
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
IFAC	International Federation of Accountants
IFIAR	International Forum of Independent Audit Regulators
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IIPA	Institute of Incorporated Public Accountants
ISE	Irish Stock Exchange
ISQC1	International Standard of Quality Control 1
Issuer	An entity coming within the Authority's remit under the Transparency Regulations
Minister	Minister of Trade & Commerce
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
PII	Professional Indemnity Insurance
POB	Professional Oversight Board (UK)
PQ	Parliamentary Question
RAB	Recognised Accountancy Body

Regulator, the	Financial Regulator
Regulations, the	Transparency (Directive 2004/109/EC) Regulations, 2007
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)
SMEs	Small & Medium Entities
SORP	Statement Of Recommended Practice
Statutory Audit Directive	Directive 2006/43/EC
Transparency Directive	Directive 2004/109/EC
Transparency Rules	Interim Transparency Rules, as issued by the Financial Regulator
ODCE	Office of the Director of Corporate Enforcement
OECD	Organisation for Economic Co-operation and Development
Oireachtas	Parliament
1990 Act, the	Companies Act, 1990





Willow House
Millennium Park
Naas, Co Kildare
Ireland

Tel: +353 (0) 45 983 600
Fax: +353 (0) 45 983 601
www.iaasa.ie