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Financial Reporting Supervision  
role of IAASA - an update

Audit Committee Institute  
1<sup>st</sup> October 2013

Michael Kavanagh

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Presentation overview

- Re-cap on IAASA's financial reporting supervision functions
- Some issues arising during 2012/2013 reviews
- Looking forward to 2014

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## Disclaimer and confidentiality

### Disclaimer

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

### Section 31

- No person shall disclose, except in accordance with law, information that –
- is obtained in performing the functions or exercising the powers of the Supervisory Authority, and
  - has not otherwise come to the notice of members of the public...

Certain exemptions provided for in law



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## Principal Functions of IAASA's FRSU

- Accounting enforcer for Ireland
- Liaising with other EU countries' accounting enforcers through ESMA
- Co-operating in the development of accounting standards and practice notes
- Assisting the Board to discharge its functions as an advisor to the Minister on accounting related matters



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## Recap on IAASA's accounting enforcement function

- IAASA's role under Article 24(4)(h) of the Transparency Directive
  - *“..to examine that information referred to in this Directive is drawn up in accordance with the relevant reporting framework and take appropriate measures in case of discovered infringements.”*
- Who are the users of the financial statements?



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## Review constituency as at 31 December 2012

Category	Number of issuers in category	Half-yearly financial reports issued per annum	Annual financial reports issued per annum	Total no. of periodic financial reports per annum
Equity	25	25	25 <sup>r</sup>	50
Funds	30	30	30 <sup>r</sup>	60
Debt	87	67	87 <sup>r</sup>	154
<b>Total</b>	<b>142</b>	<b>122</b>	<b>142</b>	<b>264</b>

Certain debt issuers are exempt from the requirement to make public half-yearly financial reports for a period of 10 years



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## Categories of examinations

- Full scope examinations (based on risk assessment criteria)
- Focussed examinations
- Follow-up examinations
- Thematic examinations
- Topical surveys



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## Examinations undertaken in 2012

- 92 financial reports reviewed across the spectrum of categories of examinations per the last slide (31 full, focussed or follow up)
- 133 matters raised with issuers' directors
- 91 undertakings provided for improvements



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Some trends based on 2013 examinations—  
equity issuers only (fund and debt issuers not dealt with  
in this presentation)

- Every case is different but some common trends
  - Provisions – recognition, measurement and disclosure
  - Presentation of items in the Income Statement
  - Disclosure of key management personnel compensation
  - Re-statement without required disclosures
  - Risk disclosures
  - Alternative performance measures
  - Deferred taxation – recognition of deferred tax assets
  - Recognition & measurement of uncertain tax positions
  - Publication of amended report
- Thematics for 2013
  - IAS 24 *Related party disclosures*
  - IAS 19 *Employee Benefits*
  - IAS 1 (Income statement format, exceptional items & use of 'operating profit')



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Looking to 2014—potential IAASA priorities

- Impairments
  - Asset values – appropriate?
  - Questions to ask
    - Are projections for period longer than 5 years reliable?
    - Reasonable and supportable assumptions?
    - How is greater weight given to external evidence?
    - Is the growth rate justifiable and how?
    - Are key assumptions for VIU calculations consistent with those used elsewhere e.g. DT calculations?



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Looking to 2014—potential IAASA priorities (cont.)

- Provisions
- Deferred tax assets
- Accounting for retirement benefits (IAS 19)
- Alternative performance measures
- Layout of Income Statement (IAS 1)
- Forbearance disclosures
- Disclosure overload debate



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## Some key messages

- Shift in emphasis from full scope reviews to more focussed and thematic
- More meetings anticipated post formal correspondence
- IFRS is the rule book when it comes to the preparation of financial statements
- Move towards a public reporting regime?
- Read IAASA publications
  - Annual observations document
  - Thematic studies
  - Information notes



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## Questions?



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## Contacts & Further Information

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