



## □ Meet the Regulators - Sharing Perspectives

A Conference for all Chartered Accountants

23rd/24th November 2007



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IN IRELAND



# Presentation to the ICAI Regulators' Conference

**Druid's Glen**  
**24 November, 2007**

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# Presentation overview

- EU Transparency Directive – IAASA’s role
- Supervisory activities *vis a vis* the Prescribed Accountancy Bodies – findings to date
- EU Statutory Audit Directive – key issues arising

# EU Transparency Directive

- Effective: 13 June, 2007
- Purpose: harmonisation of issuers' information requirements (component part of the FSAP)
- IAASA: Competent authority for Art. 24(4)(h) purposes
- Ireland: '*Home Member State*' to approx. 335 issuers (36 Equity, 74 CEFs and 225 Debt) + Irish issuers listed on other EU regulated markets (i.e. outside Ireland)
- Guidance: September, 2007



# EU Transparency Directive

- Approach: risk + random/cyclical (CESR)
- Review for: compliance with ‘*relevant reporting framework*’, which includes, *inter alia*:
  - Companies Acts;
  - TD Regulations;
  - TD Rules (FR);
  - applicable GAAP – IFRS, Irish, ABAS;
  - other legislation insofar as relates to Annual/HY f/s
- First HYs received in October, 2007
- Bulk of HYs due post-June '08, with Annuals following post-December '08



# EU Transparency Directive

- Review issues addressed, in the first instance, through correspondence with issuers
- Where relevant/applicable, further action determined having regard, *inter alia*, to seriousness of issues arising and directors' responses to matters arising
- Issues being posted to EECS database will also inform IAASA's review activity/focus



# Supervisory activities *vis a vis* the PABs

## Approach/Methodology

- In-depth initial supervisory reviews of each of the nine PABs
- Reviews include, *inter alia*, examination of bodies':
  - investigation and disciplinary processes and procedures, including complaints handling;
  - registration and regulatory practices, including granting and renewal of licenses etc.
  - quality assurance arrangements (where applicable); and
  - governance arrangements
- Approval of constitutional documents and proposed amendments thereto



# Supervisory activities *vis a vis* the PABs

## Other supervisory tools

- Examination of complaints received directly
- Annual return process (some of which is published)
- Statutory Investigations / Enquiries



# Supervisory activities *vis a vis* the PABs

## Findings from year 1

- Issues arising to date from IAASA PAB reviews have included:

### *Quality Assurance*

- non-adherence to internally set monitoring cycles
- delays in follow-up actions in response to unsatisfactory monitoring visit findings
- lack of progress in monitoring member firms' compliance with ISQC1
- opaqueness in how monitoring visit findings translate into grades
- deficiencies in documentation of reviewers' work and significant judgements
- deficiencies in evidence of reviewers' work and judgements having been reviewed internally and issues arising cleared/resolved



# Supervisory activities *vis a vis* the PABs

## *Discipline*

- significant delays in complaint processing
- issues relating to non-adherence to approved disciplinary procedures
- issues relating to non-adherence to requirements governing the approval of investigation and disciplinary procedures

## *Licensing*

- deficiencies in/non-compliance with procedures employed in granting and renewing licenses to members/member firms



# Supervisory activities *vis a vis* the PABs

## In summary

- PABs all have systems and procedures for regulating members and, where applicable, monitoring the quality of members' work
- However, a range of issues/deficiencies (some very significant) in the manner in which the PABs carry out their regulatory/monitoring and related activities have already been identified through the Authority's review activities – significant issues a feature in a number of bodies
- Nature and incidence of those issues underscores the need for, and importance of, independent statutory supervision of the PABs
- Authority will, in determining where to focus its limited resources in the future, have regard, *inter alia*, to the results of its first round of in-depth reviews and to the associated risk indicators identified



# Statutory Audit Directive

## Overview

- Transposition deadline – June, 2008
- Requires Member States to establish a system of public oversight of statutory auditors/audit firms
- Member States required to ensure that statutory auditors are subject to quality assurance reviews every 6 years (every 3 years in the case of auditors of PIEs (or listed entities only, if MS elects))
- Provides that 3<sup>rd</sup> country auditors' reports (regarding 3<sup>rd</sup> country entities listed on EU regulated markets) will cease to be valid under Community law unless auditor/firm has been registered with relevant MS(s))



# Statutory Audit Directive

## Several key issues arising, including:

- Competent Authorities - who will do what? For example, regarding:
  - approval and registration of EU auditors
  - approval and registration of 3<sup>rd</sup> country auditors
  - maintenance of public Register
  - co-operation between Member States' and 3<sup>rd</sup> countries' competent authorities
  - quality assurance
- Funding – how will additional responsibilities under the Directive (e.g. those relating to 3<sup>rd</sup> country auditors) be funded?



# Statutory Audit Directive

## Key issues arising (continued)

- Quality assurance - auditors of PIEs (or listed entities only, if MS elects) – will a different system operate post transposition?
- Draft EU Commission Recommendation proposes that, in jurisdictions where professional bodies currently have a role in QA,:
  - the public oversight body will assume ultimate responsibility for the QA system;
  - the public oversight body may delegate certain functions to professional bodies;
  - the public oversight body shall, however, retain at least: approval of methodologies, unrestricted participation in inspections, approval of reports (and the right to amend same), assignment of inspectors and power/right to issue instructions/directions to professional bodies.



# Statutory Audit Directive

## Key issues arising (continued)

- Registration of 3<sup>rd</sup> country auditors
  - only possible on basis of reciprocity
  - 3<sup>rd</sup> country auditors must meet requirements equivalent to the Directive's requirements regarding education, training and local knowledge of laws and regulations in order to be eligible for registration
  - in order to be eligible for registration, 3<sup>rd</sup> country auditors must comply with ISAs (or equivalent) and the Directive's requirements (or equivalent) relating to independence
  - requires that each MS must subject registered 3<sup>rd</sup> country auditors to its systems of quality assurance, investigation and discipline and public oversight (unless derogation on basis of equivalence granted or transitional measures allowed by the Commission)



# Statutory Audit Directive

## EGAOB

- Conducting equivalence assessments of relevant 3<sup>rd</sup> country jurisdictions
- Exploring means of making the process of multiple registrations less complex, onerous and costly
- Promoting co-operation between EU public oversight authorities and between EU oversight authorities and their 3<sup>rd</sup> country counterparts
- Assisting the Commission in ascertaining Member States' Quality Assurance systems and in developing a Recommendation on Quality Assurance
- Examining clarified ISAs and advising Commission as to whether they meet the Directive's adoption criteria



# Further information

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**End**

**Thank you**



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