

A decade of accounting enforcement

- the Irish experience and my journey with ESMA

EECS
1 June 2017

Michael Kavanagh



Irish Auditing & Accounting Supervisory Authority

Presentation overview

- IAASA's financial reporting supervision functions
- Accounting enforcement – Ireland
- Accounting enforcement in an EU context
- Au revoir!



2

Irish Auditing & Accounting Supervisory Authority

IAASA's Financial Reporting Supervision Functions

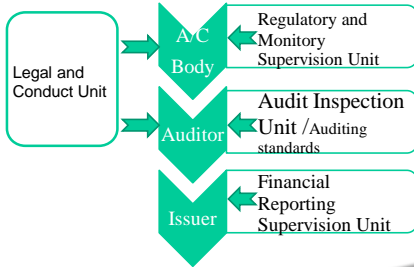


3

Irish Auditing & Accounting Supervisory Authority

Financial reporting - where IAASA fits in

Protection of investors and capital markets



4

Irish Auditing & Accounting Supervisory Authority

Principal Functions of IAASA's Financial Reporting Supervision Unit

- Accounting enforcer for Ireland
- Liaising with other EU countries' accounting enforcers through ESMA
- Co-operating in the development of accounting standards (Irish/UK GAAP)
- Advisor to the Government on accounting related matters
- Advocacy



5

Irish Auditing & Accounting Supervisory Authority

Accounting enforcement - Ireland



6

Irish Auditing & Accounting Supervisory Authority

IAASA's accounting enforcement function

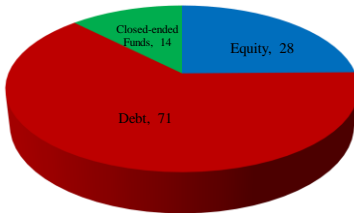
- IAASA's role under Article 24(4)(h) of the Transparency Directive
 - “...to examine that *information referred to in this Directive is drawn up in accordance with the relevant reporting framework and take appropriate measures in case of discovered infringements.*”
- The Central Bank of Ireland is the central administrative competent authority and full ESMA member



7

Irish Auditing & Accounting Supervisory Authority

FRSU known constituency at 31 December 2016



9

Irish Auditing & Accounting Supervisory Authority

Who is within FRSU's remit?

- **CRH** - No 1 asphalt and no 1 provider of building materials in USA (no 2 provider of building materials worldwide)
- **Greencore** - one of the world's largest manufacturers of pre-packed sandwiches
- **Kerry** - World leader in food ingredients and flavours
- **Ryanair** - No 1 passenger carrier in Europe – will carry 119m customers this year
- **Smurfit** - one of the world's largest integrated manufacturers of paper based packaging products
- Some very large **debt and fund** issuers



9

Irish Auditing & Accounting Supervisory Authority

IAASA's accounting enforcement function - What does it mean?

- To examine that the **annual and half yearly financial reports of issuers** are drawn up in accordance with **IFRS, Irish/UK GAAP and US GAAP (for some fund and debt issuers)** and take appropriate measures in case of discovered infringements



Irish Auditing &
Accounting Supervisory Authority

Categories of examinations

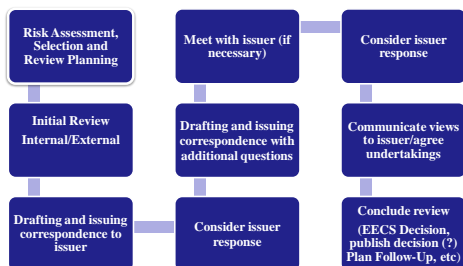
- Full scope examinations (based on risk assessment criteria)
- Focused examinations
- Follow-up examinations
- Thematic examinations
- Topical surveys



11

Irish Auditing &
Accounting Supervisory Authority

Financial Reporting Supervision Typical Unlimited Scope Examination



Irish Auditing &
Accounting Supervisory Authority

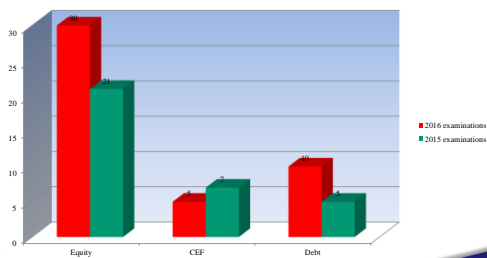
Key activities undertaken in 2016



13

Irish Auditing & Accounting Supervisory Authority

Examinations Undertaken in 2016 (excludes thematic examinations)



14

Irish Auditing & Accounting Supervisory Authority

Outcome of examinations

- A total of 61 undertakings were provided
- Unlimited scope examinations – 33 undertakings provided
- Focused examinations – 28 undertakings provided



15

Irish Auditing & Accounting Supervisory Authority

Outcome of examinations

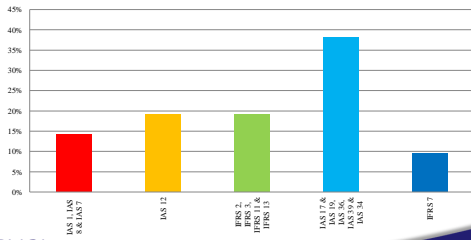
- Equity issuers (IFRS adopted by EU) – 24 Undertakings
- CEF and debt issuers (IFRS adopted by EU) – 25 Undertakings
- Debt issuers (FRS 102/FRS 104) – 12 undertakings



16

Irish Auditing & Accounting Supervisory Authority

Analysis of Undertakings received from IFRS equity issuers



17

Irish Auditing & Accounting Supervisory Authority

Publication of Financial Reporting Decisions

- Law changed in 2015 to allow publication – thank you ESMA!
- Since 9 February 2015 – 17 financial reporting decisions have been published



18

Irish Auditing & Accounting Supervisory Authority

2016 IAASA Thematic Publications

- Survey of operating lease commitments by Irish equity issuers
- Survey of issuers' defined benefit pension scheme assumptions
- Survey of recognition of intangible assets and scale of acquisition activity
- Share-Based Payments – a Survey
- Survey on the application of IFRS 13 Fair Value Measurement by Irish Companies



2016 IAASA Publications

- Observations on selected financial reporting issues – years ending on or after 31 December 2016
- Information note: Consideration of the impact of Brexit for issuers' half-yearly financial reports
- All publications can be located on the IAASA website: <http://www.iaasa.ie/Publications/FRSU>





IAASA accounting enforcement in an EU context



EECS – the Journey



1,000 decision threshold reached!

EECS 5th meeting – 18 October 2005 Agenda for my 1st meeting

1. Opening remarks by the Chairman and approval of minutes of the last meeting (ref CESR/05-509)
2. Presentation and discussion of recent enforcement cases and practical issues in relation to Financial Reporting
- 3 French, 2 Danish and 1 from Finland
3. Enforcement database: feedback on first experiences with the enforcement database
4. Update on consistent application of IFRS in the EU
5. Update on other CESR-Fin activities
6. Miscellaneous: next meetings and A.O.B

Some of my involvement in EECS/ESMA groups

- EECS agenda group
- Enforcement Methodology Group
- Enforcement Action Group
- Materiality Sub Group (Chair)
- Review of Enforcement Standards Group

IAASA involvement in EECS

- Decisions and EIs / IFRS IC discussions
 - Since 2008 – 83 decisions and 29 EIs on database
- Sub-group on accounting of Financial Institutions
- IAS 12 DTA Working Group
- CRSC TF on IFRS 13
- Publications
- Input into Common Enforcement Priorities



25

Irish Auditing & Accounting Supervisory Authority

Au Revoir and Slán!



Non, je ne regrette rien



26

Irish Auditing & Accounting Supervisory Authority

Merci beaucoup

Bonne chance!



Irish Auditing & Accounting Supervisory Authority
