ANNUAL REPORT 2013

IAASA

Irish Auditing & Accounting Supervisory Authority

Table of Contents

Chairperson's Statement 2

Chief Executive's Review 4

CHAPTER 1

Overview of IAASA

1. IAASA's role. 8
2. Legal structure 8
3. Organisational structure 9
4. Governance 11
5. Corporate Governance Statement 17
6. Other public sector and other governance obligations. 18

CHAPTER 2

Supervision of the Accountancy Profession

1. Introduction. 20
2. Overview of supervisory activities 20
3. Approval of the PABs' constitutional documents 21
4. Supervisory reviews and meetings 21
5. Complaints handling. 22
6. Statutory enquiries 23
7. Attachment of conditions to the RABs' recognitions. 23
8. Queries received 24
9. Implementation of the Statutory Audit Directive Regulations. 24
10. Registration of third country auditors and audit entities. 25
11. Domestic and international cooperation 25
12. Proposals to reform the European audit market 27

CHAPTER 3

Examination of Issuers' Financial Reports

1. Introduction. 30
2. Examination of entities' periodic financial reporting 30
3. Cooperation with other EU national accounting enforcers 38
4. Cooperating in the development of financial reporting standards 39
5. Advocacy activities. 40
6. Provision of accounting advice to the Minister. 40

Table of Contents continued

FINANCIAL & RELATED STATEMENTS

Report of the Directors . . . 42
Statement on Internal Financial Control . . . 45
Statement of Directors' Responsibilities . . . 47
Comptroller and Auditor General: Report for presentation to the Houses of the Oireachtas . . . 48
Statement of Accounting Policies for the year ended 31 December 2013 . . . 50
Income & Expenditure Account for the year ended 31 December, 2013 . . . 53
Statement of Total Recognised Gains and Losses for the year ended 31 December, 2013 . . . 54
Balance Sheet as at 31 December, 2013 . . . 55
Cash Flow Statement for the year ended 31 December, 2013. . . . 56
Notes to Financial Statements . . . 57

APPENDICES

APPENDIX 1: Board Membership at Year End and changes in composition since last Annual Report . . . 72
APPENDIX 2: Charter of the Audit Committee . . . 74
APPENDIX 3: Outputs Compared to Plan. . . . 78
APPENDIX 4: Commentary on Certain Aspects of the UK Code and Irish Annex. . . . 83

Glossary of Terms . . . 85

SCHEDULE OF TABLES

Table 1.1: Approved, sanctioned and actual staff complements as at year end. . . . 9
Table 1.2: Board of directors – nominating bodies . . . 11
Table 1.3: Directors' attendance at Board meetings . . . 14
Table 1.4: Board Committees – mandates and membership . . . 15
Table 1.5: Audit Committee activities . . . 16
Table 2.1: Approvals granted . . . 21
Table 2.2: Complaints received . . . 22
Table 2.3: Summary of section 23 enquiry activity . . . 23
Table 2.4: Nature of queries received . . . 24
Table 3.1: Financial reporting review constituency at 31 December 2013. . . . 30
Table 3.2: Examinations undertaken in 2013 . . . 32
Table 3.3: Issuers examined during 2013 . . . 33
Table 3.4: Financial reporting matters considered by IAASA in its 2013 examinations . . . 35

OUR MISSION

To support and enhance public confidence in the accountancy profession and financial reporting through the exercise of effective, independent oversight and the promotion of adherence to high standards.

IAASA
Irish Auditing & Accounting Supervisory Authority

CHAIRPERSON'S STATEMENT

Introduction

It is with pleasure that I submit IAASA's eighth Annual Report to the Minister for Jobs, Enterprise and Innovation ('the Minister'), Mr. Richard Bruton, TD, in accordance with section 22(1) of the Companies (Auditing and Accounting) Act 2003 ('the Act'). Our Annual Report sets out in detail how IAASA fulfilled its statutory role in the supervision of the financial reporting, auditing and accounting environment during 2013. In my statement, I would like to focus on issues I believe merit particular mention.

Audit reform

Last year I reported that the Authority provided the Department of Jobs, Enterprise and Innovation ('the Department') with assistance as it prepared to move the audit reform proposals through the EU Council. This assistance continued in 2013 during the six months of the Irish presidency of the EU Council, with the Authority's staff supporting the Department's leadership of this process. The Irish presidency was instrumental in advancing the EU Council compromise text that was ultimately finalised under the Lithuanian presidency late in 2013. At the time of writing, the proposals have been approved by the European Parliament and are expected to come into force from 2016 in the form of a new EU Regulation and amendments to the existing EU Audit Directive. The proposed reforms are focused on restoring public trust and confidence in financial reporting. They stipulate a number of measures designed to ensure the objectivity and independence of auditors including requirements for audits be put out to tender once a decade and a new auditor appointed at least after 20 years.

These changes will affect auditors and audited entities and the relationship between them. They will also have a significant impact on authorities such as IAASA, changing the nature of its relationship with the accountancy bodies under its remit and increasing cooperation with other similar authorities. IAASA is cognisant of the challenges posed in implementing these important reforms and is committed to working with all stakeholders to ensure they are met as successfully and as swiftly as possible.

Brendan Walsh, Chairperson

Independent audit inspections

The regulatory model in Ireland for auditors continues to be one of self-regulation by the Recognised Accountancy Bodies ('RABs') under IAASA's supervision. IAASA has expressed the view for many years that this is not an appropriate system for the regulation of auditors who audit Public Interest Entities ('PIEs'). We believe that the inspection of the quality of PIE audits should be undertaken by IAASA as an independent authority, following the model existing in most of our EU and international counterparts. Failure to adopt best practice in this area is potentially damaging to our international reputation and Ireland's attractiveness as a destination for inward investment. In any event, under the audit reforms mentioned above such independent inspections will become mandatory.

It is a positive sign that, on 24 December 2013, the Companies (Miscellaneous Provisions) Act 2013 was signed into law which provided for a levy on the affected auditors to cover in full the costs of independent inspections. However, IAASA has not yet been granted the statutory powers and staff resources needed to take on this important function. We hope this process will be concluded shortly as we are conscious of the need for rapid progress on this front. In the meantime we will continue to work with and provide support wherever possible to Department officials on this initiative.

Limiting factors – staff resources

2013 was my first year as Chairperson of IAASA and during the year I have been hugely impressed by the staff of IAASA, the quality of their work and their commitment to IAASA's objectives. I am proud of what has been achieved, details of which are outlined in the remainder of this Annual Report. However, I am also aware that IAASA's current level of resources is placing limitations on its ability to fulfil its remit. We currently have 13 staff working to fulfil a remit which includes supervising nine Prescribed Accountancy Bodies (whose aggregate membership in the State exceeds 32,000) and enforcing compliance with financial reporting standards for the annual and half yearly reports of 144 listed entities. In order to deliver a service commensurate with this remit we need a significant increase in our staff numbers.

The risks arising from the present under-resourcing of the Authority are the greatest concern facing the Board. We fully understand the need to reduce public service costs but also recognise that this must be balanced against the importance of IAASA continuing to fulfil its remit to a high standard. We must also ensure we will be able to confirm compliance with the forthcoming European Securities Markets Authority's enforcement guidelines which set out that accounting enforcers must have sufficient and adequately skilled resources to carry out their activities in an effective manner. I have, therefore, engaged with the Minister on this matter during 2013 and will continue to do so during 2014 as we work together to find a resolution to this key issue.

Confidentiality of IAASA's work

As reported in previous years, providing information to the public about our work and being transparent about outcomes is challenging given IAASA's statutory confidentiality requirements. Except in restricted circumstances, we are prohibited by legislation from disclosing information about our work to the public or other bodies. During 2013 we had significant positive discussions with the Department on this matter and our understanding is that the Department intends to amend IAASA's confidentiality provisions through amendments to the Companies Bill 2012. I shall continue to engage with the Minister on this during 2014.

Concluding remarks

IAASA's ongoing work to deliver effective and independent supervision and enforcement would not be possible without our dedicated Board, the leadership of the Chief Executive and highly professional and hardworking staff. I would, therefore, like to thank all staff members and my fellow directors for their commitment and dedication during the year.

On behalf of the Board, I extend a sincere thanks to Mr. Gerard Scully, who stepped down on the expiry of his term of office on 2 January 2014, for his service to the IAASA Board over many years.

I would also like to thank the Minister for Jobs, Enterprise and Innovation, Mr. Richard Bruton TD, and the management and staff of the Department for their ongoing support for our activities.

Professor Brendan Walsh
Chairperson

30 APRIL 2014

CHIEF EXECUTIVE'S REVIEW

Introduction

The purpose of this review is to provide an overview of other key activities undertaken in pursuit of IAASA's mission and to outline appropriate information about our performance and challenges during the year. Further details of our operational activities are outlined in Chapters 2 and 3 of this Report.

Supervising the accountancy profession

The Regulatory & Monitoring Supervision unit of IAASA is responsible for supervising the regulatory functions of the accountancy profession. In doing this, IAASA supervises nine Prescribed Accountancy Bodies ('PABs') and as at 31 December 2013, there were:

- 32,641 PAB members resident in Ireland, an increase of 3% on the previous year; and
- 1,603 statutory audit firms with offices in Ireland.

The six Recognised Accountancy Bodies comprise the subset of the PABs permitted to authorise their members and member firms to perform audits under the Companies Acts.

Set out below is a summary of key activities undertaken during the year as part of this supervision.

During the year IAASA:

- performed two on-site supervisory visits and one follow-up visit;
- issued one supervisory visit report and one follow-up visit report;
- attached three conditions to RAB recognition and removed one condition;
- received 18 complaints;
- provided responses to 138 enquiries;
- received 14 referrals from other regulators;
- approved 33 constitutional documents;
- completed one preliminary statutory enquiry. One preliminary statutory enquiry and two full statutory enquiries were ongoing at 31 December 2013, under section 23 of the Act.
- renewed 14 third county auditor registrations;

Helen Hall, Chief Executive

- approved four applications for full third country auditor registration and three for transitional registration; and
- received 2,401 notifications relating to auditor resignation or removal.

Financial reporting examination and enforcement activities

IAASA's Financial Reporting Supervision unit is responsible for the examination and enforcement of certain listed entities' periodic financial reports. This remit extends to equity issuers, closed ended funds and issuers of debt instruments. As at 31 December 2013, the Authority's financial reporting review constituency stood at 144 issuers. During the year, those issuers published a total of 247 periodic financial reports.

During the year IAASA:

- completed 32 examinations of individual financial statements and corresponded with issuers in relation to 24 of these examinations;
- raised 131 matters with issuers' directors in respect of completed reviews;
- secured 71 voluntary undertakings from 17 issuers' directors to amend future periods' financial statements;
- reviewed 54 financial statements as part of thematic studies, corresponding with 11 issuers on 16 matters leading to undertakings from issuers in six cases; and
- agreed to the voluntary publication of a revised financial report by one issuer.

Advocacy & advisory

Advocacy

During the year, in pursuit of its goal to promote adherence to high professional standards, IAASA published its:

- *Review of the application of accounting standard requirements in respect of the disclosure of key management personnel compensation by Irish equity issuers* in June 2013.
- *Observations on selected financial reporting issues* in October 2013.
- *Commentary on the application of certain aspects of IAS 1 Presentation of Financial Statements by selected Irish equity issuers,* also in October 2013.

Advisory

During the year, IAASA provided specialist advice to the Minister and his officials on a range of other matters including:

- proposals for the reform of the EU Statutory Audit market;
- the proposal for a single Accounting Directive (2013/34/EU) finalised in June 2013, which repealed the previous 4th (78/660/EEC) and 7th (83/349/EEC) Accounting Directives;
- Statutory Instrument ('S.I.') 67 of 2013 – European Communities (Statutory Audits) (Directive 2006/43/EC) (Amendment) Regulations 2013; and
- the Companies Bill 2012.

Work Programme 2014 – 2016

In the second half of 2013, IAASA developed its Work Programme for the three-year period 2014 – 2016. This was submitted to the Minister on 31 January 2014 and is publicly available on the Authority's website www.iaasa.ie. The key strategic focus continues to be on maximising resources and directing those resources to areas of highest risk and I am satisfied that the Work Programme represents the best and most effective use of the resources currently available. Notwithstanding this, I hope that progress will be made on securing additional resources so that IAASA can expand the scope of its activities, for example, by:

- undertaking more frequent supervisory review visits to PABs;
- increasing the number of examinations of issuers' financial reports;
- expanding the depth of such examinations, investigating financial reporting measurement matters in more detail and scrutinising the records from which the amounts appearing in the financial reports derive;
- investigating in greater depth the financial reporting of bank impairments, uncertain tax provisions, values reported for certain intangible assets and pensions accounting assumptions; and
- investing more time in accounting policy matters to allow IAASA to propose changes to the accounting standard setter (the International Accounting Standards Board ('IASB')) in order to enhance the enforceability of the relevant accounting standards.

The 2014 – 2016 Work Programme has been developed with these additional responsibilities in mind and allows for such expansion in the event of the provision of additional resources.

Website

IAASA commenced work during the year on revamping its website to ensure it presents the Authority's work and responsibilities in a clear and easily accessible manner. It is hoped that this project will be completed during 2014.

European Securities Market Authority

The number of information requests, research studies and questionnaires that the European Securities and Markets Authority ('ESMA') asks of national enforcers such as IAASA has increased in the past two years and is likely to escalate. IAASA cooperates with these requests and has continued to do so during 2013.

IAASA participated in the ESMA group developing proposed guidelines on the enforcement of financial information which were published for consultation by ESMA in July 2013. These guidelines intend to provide for the principles to be followed for the enforcement process in Europe and to introduce more prominently the role that

CHIEF EXECUTIVE'S REVIEW

ESMA would play in this context. During 2014, IAASA will continue to work with the Department to address issues such as resources, independence and the transparency of our reporting to ensure IAASA is fully compliant with ESMA guidelines.

Financial Reporting

During the year under review, the Financial Reporting Council in the UK ('FRC') issued FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.* This new Standard, which will impact upon the financial statements of the vast majority of companies in Ireland, revokes all previous Financial Reporting Standards (FRSs) and Statements of Standard Accounting Practice (SSAPs), and will mark a fundamental change in financial reporting. While the Standard becomes effective from 1 January 2015, early adoption is permissible. In line with IAASA's commitment to promote best practice in financial reporting and governance matters, IAASA will adopt the new Standard with effect from 1 January 2014.

Concluding remarks

I have always been aware of the strong work ethic in IAASA. However, this has been further emphasised to me throughout my first year as Chief Executive when I received extensive staff support during what have been times of significant change and challenge for us all. I would like to express my gratitude to my colleagues for their continued hard work and professionalism. I would also like to thank the Chairperson and fellow Board members for their ongoing challenge, support, advice and guidance.

Helen Hall
Chief Executive

30 APRIL, 2014

CHAPTER 1

Overview of IAASA

CHAPTER 1

Overview of IAASA

1. IAASA's role

The Irish Auditing and Accounting Supervisory Authority ('IAASA' / 'the Authority') is the independent body in Ireland responsible for the:

(a) supervision of the regulatory functions of the PABs; and

(b) examination and enforcement of certain listed entities' periodic financial reporting.

IAASA's mission for 2013 was to support and enhance public confidence in the accountancy profession and financial reporting through the exercise of effective, independent oversight and the promotion of adherence to high standards.

IAASA's principal goals in 2013 were to:

- support and enhance public confidence in the accountancy profession through effective independent supervision and where appropriate, statutory enquiry and investigation;
- support and enhance public confidence in financial reporting through the exercise of effective, independent supervision and, where appropriate, enforcement action;
- support and enhance public confidence in the accountancy profession and in financial reporting through the promotion of adherence to high professional standards and the provision of high quality advice to the Minister; and
- provide a consistent high standard of service to stakeholders.

The key strategies employed to implement these goals during 2013 were to:

- apply a risk-based approach to supervision of the PABs and to the entities under IAASA's financial reporting supervision remit;
- take appropriate supervisory and enforcement actions where necessary;
- cooperate with third parties, both domestic and international to further the Authority's objectives; and
- provide high quality advice and information to the Minister and other stakeholders on auditing and accounting matters.

The work done to implement these goals is elaborated upon further in Chapters 2 and 3. In addition, Appendix 3 to this Report sets out an analysis of actual versus planned outputs in 2013.

2. Legal structure

IAASA is a company limited by guarantee with the following 18 members of the company:

- Association of Chartered Certified Accountants ('ACCA')*
- Association of International Accountants ('AIA')*
- Chartered Institute of Management Accountants ('CIMA')*
- Chartered Institute of Public Finance & Accountancy ('CIPFA')*
- Central Bank of Ireland ('Central Bank')
- Director of Corporate Enforcement
- Institute of Certified Public Accountants in Ireland ('ICPAI')*
- Institute of Chartered Accountants in England & Wales ('ICAEW')*
- Institute of Chartered Accountants in Ireland ('ICAI')*
- Institute of Chartered Accountants of Scotland ('ICAS')*
- Institute of Incorporated Public Accountants ('IIPA')*
- Irish Association of Investment Managers ('IAIM')
- Irish Business & Employers' Confederation ('IBEC')
- Irish Congress of Trade Unions ('ICTU')
- Irish Stock Exchange ('ISE')
- Law Society of Ireland
- Pensions Authority
- Revenue Commissioners

** Denotes a PAB*

3. Organisational structure

3.1 Overview

IAASA currently has 13 staff structured into four units as follows:

- **Regulatory & Monitoring Supervision**, which is concerned principally with supervision of the PABs' regulation of their members;
- **Financial Reporting Supervision**, which is concerned principally with certain entities' financial reporting examination and enforcement;
- **Legal Services**, which, in addition to providing in-house legal advice, provides a Secretariat to the Board and to certain of its Committees; and
- **Finance & Administration**, which provides corporate services support to IAASA.

3.2 Approved staff complement

The numbers, grades, and terms and conditions of IAASA's staff are determined by the Authority with the approval of the Minister, given with the consent of the Minister for Public Expenditure & Reform. Accordingly, any amendments to IAASA's approved staff complement require both Ministers' prior approval. In addition to this approval, the filling of any vacancy is subject to specific sanction by the Department of Public Expenditure & Reform as it arises. Details of the approved, sanctioned and actual staff complements are set out in Table 1.1.

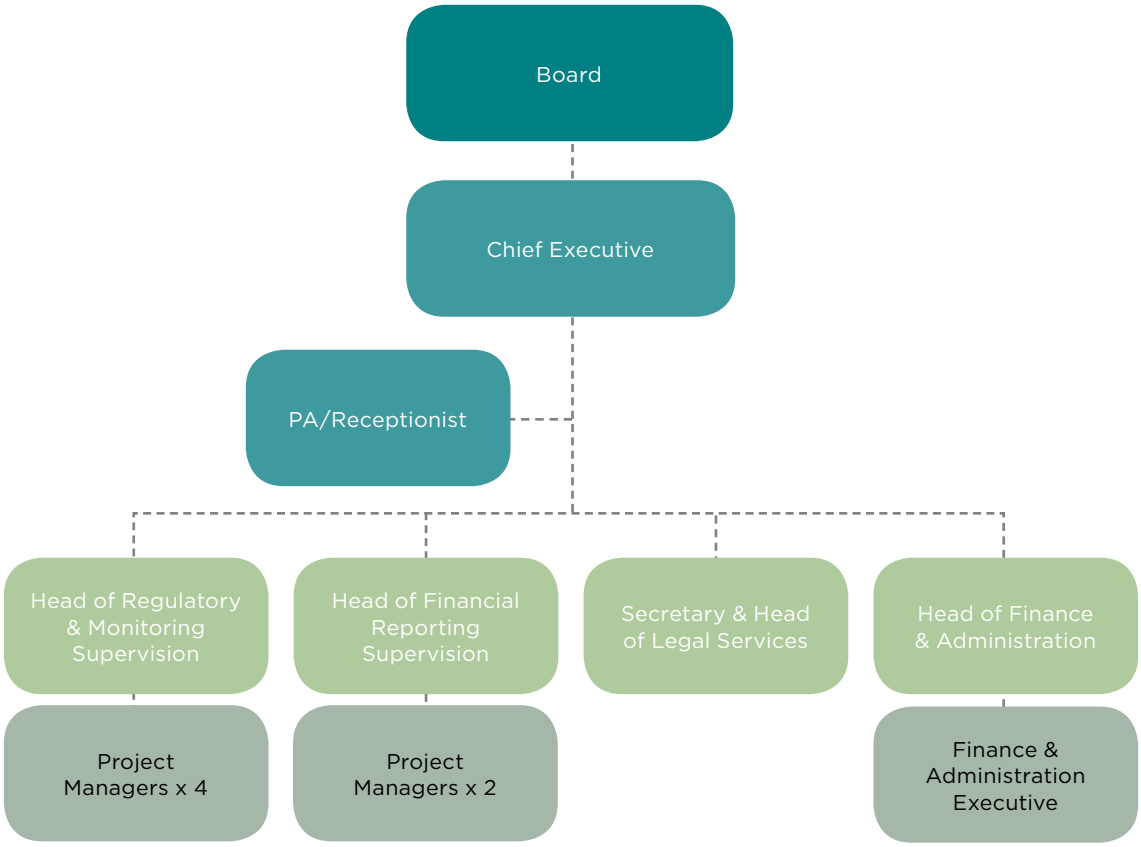
Table 1.1: Approved, sanctioned and actual staff complements as at year end

Grade	Approved	Sanctioned	Actual
Chief Executive	1	1	1
Heads of Function	4	4	4
Project Managers (see below)	8	7	6
Administrative Executive	1	1	1
Clerical Support Staff	1	1	1
Total	**15**	**14**	**13**

As is apparent from Table 1.1, IAASA currently has two senior vacancies, one of which awaits sanction from the Department of Public Expenditure & Reform. Apart from these approved vacancies, IAASA considers that the staffing resource required to adequately discharge its current mandate is considerably greater than the approved complement of 15. Clearly, a shortfall in its staffing resource significantly impacts IAASA's ability to discharge its statutory mandate.

3.3 Organisational chart

The Authority's organisational structure as at 31 December 2013, reflecting the actual staff complement at that date, was as set out in the organisation chart below.



4. Governance

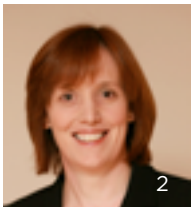
4.1 Board of directors

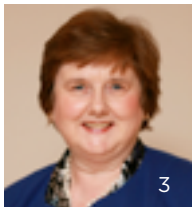
The Authority is governed by a Board of 15 directors, 14 of whom are non-executive and appointed by the Minister having been nominated by those entities set out in Table 1.2. The remaining director is the Chief Executive, who is appointed by the Board. The non-executive directors are nominated by the nominating bodies prescribed under the Act. Whilst this fact could be perceived as affecting their independence of judgement, they are independent as they neither represent the interests of their nominating bodies nor consult with their nominating bodies or its members on matters related to IAASA.

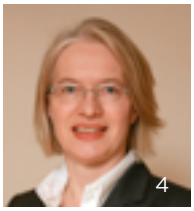
Table 1.2: Board of directors – nominating bodies

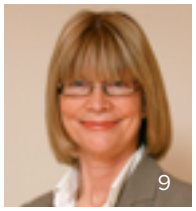
Nominating body	Nominees
Prescribed Accountancy Bodies (jointly by agreement)	3
Minister	2
Central Bank of Ireland	1
Director of Corporate Enforcement	1
Irish Association of Investment Managers	1
Irish Business & Employers' Confederation	1
Irish Congress of Trade Unions	1
Irish Stock Exchange	1
Law Society of Ireland	1
Pensions Authority	1
Revenue Commissioners	1
Total	**14**

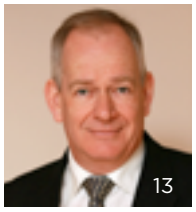
As required by the Act, a maximum of four of these 14 directors may be members of a PAB.

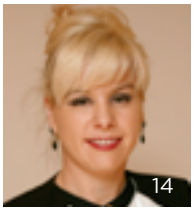


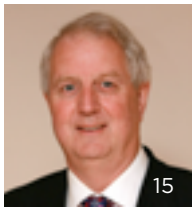












4.2 Directors' biographies

Set out below are brief biographies of those persons who were members of the Board as at the date of issue of this Report, i.e. 30 April 2014. The Board composition at year end and changes in Directors since the last Annual Report is tabulated in Appendix 1.

1 **Brendan Walsh** is Professor Emeritus in the School of Economics at University College Dublin. He is author of several studies of the Irish economy. He has served as a consultant on numerous public bodies in Ireland and has worked for the OECD, the World Bank and the Harvard Institute of International Development. He is currently a member of the European Statistical Advisory Committee (Eurostat).

2 **Helen Hall** was appointed Chief Executive of IAASA on 18 December 2012. Helen is a qualified accountant, having trained with PwC in Dublin. After her time with PwC, she spent time in Malawi where she worked with the United Nations, the World Bank, and subsequently as an audit partner with Deloitte. She subsequently served as a senior internal audit manager with the United Nations World Food Programme, based in Rome, before returning to Ireland in 2006 to become IAASA's Head of Regulatory & Monitoring Supervision.

3 **Deirdre Behan** is a Principal Officer in the Corporate Business & International Division of the Revenue Commissioners. Her responsibilities include corporation tax policy, legislation and interpretation. Previously, she managed the Financial Services (Banking) Unit in Revenue's Large Cases Division. Her career experience includes a secondment to the International Financial Services Centre section of the Department of Finance. Deirdre holds a Masters Degree in Taxation and is an Associate of the Irish Tax Institute**.**

4 **Marie Daly** is Head of Legal and Regulatory Affairs and the in-house legal advisor with IBEC. She qualified as a solicitor in 1987, working initially in Dublin Corporation's Law Department before joining the then Federation of Irish Employers in 1991 as an employment solicitor. She is also a member of the CLRG and the High Level Group on Business Regulation.

5 **Máiréad Devine** is the Head of Risk, Governance and Accounting Policy in the Central Bank. Máiréad was previously a director in the PwC Regulatory Advisory Services team where she specialised in the provision of prudential, governance, risk management and compliance services across the financial services spectrum. Máiréad previously worked as a prudential specialist with PwC UK in the Financial Services Regulatory Practice. Prior to that, she was a manager in the Regulatory Policy Division at the Bank of England. She started her career as an Economist in the Economic Analysis and Research Department of the Central Bank. Máiréad holds a Bachelor of Business Studies and a Master of Letters (Financial Economics) from Trinity College Dublin.

6 **Seán Hawkshaw** is Chief Executive of Kleinwort Benson Investors Limited, an institutional asset management firm based in Dublin providing specialist equity products to Irish and international investors. He is also a board member of the IAIM.

7 **Paddy Keating** is National Secretary/General Manager of IMPACT, a mainly public sector trade union. He was formerly General Secretary of the Irish Tax Officials Union and Deputy General Secretary of the Union of Professional and Technical Civil Servants. He has over 30 years experience as a trade union official dealing with a wide range of industrial, work organisation and socio/economic issues and has been involved in negotiations with government departments on many employment legislation and socio/economic matters, including tax policy.

8 **David Martin** is a former Group Financial Director of IAWS Group plc (now Aryzta AG). He is currently a director of One Fifty One plc, FBD Insurance plc and a number of private companies. He is a former director of the Dormant Accounts Board. David is a Fellow of CIMA.

9 **Bernadette McGrory-Farrell** is Past President of the ICPAI, and is a partner in a public accountancy practice. Bernadette is a former Board member of the International Federation of Accountants ('IFAC'), 2005 to 2011, the first ever nominee of an Irish accountancy body to be appointed to the Board. She is a former Chair of IFAC's Audit Committee, Small and Medium Practices Review Task Force and of its Planning and Finance Committee. She is also a former member of the Court of the University of Ulster, and is currently a member of the Audit Committee of Dublin Institute of Technology. Bernadette is a member of the ICPAI and has a Masters in Business Administration.

10 **Sylvia McNeece** is Head of the Legal and Corporate Services Unit in the Pensions Authority. Sylvia qualified as a solicitor in 1993 and joined the Pensions Authority as its legal advisor in 2004. Sylvia previously worked in the Law Society, where she was responsible for the Society's Legal Diplomas programme for solicitors. She also worked as a solicitor in private practice for a number of years and as an in-house solicitor with a software company. Sylvia has an LLM (Commercial law) and an MBA.

11 **Aileen O'Donoghue** is Director of Strategy, Policy and Communications at the ISE. In addition, she is Chairperson of the IFSC Ireland Executive Committee. Prior to joining the ISE, Aileen was Director of Financial Services Ireland, the representative body for the Irish financial sector in IBEC. She has participated on a number of national and international bodies including the National Economic and Social Forum, the Expert Group on Future Skills Needs, the National Training Advisory Council and Skillnets. Aileen is the holder of an MBA from University College Dublin.

12 **Kevin O'Donovan** is a former audit partner in KPMG Ireland and now principally serves in a risk management role for KPMG internationally in addition to being a director of CBK Corporate Governance Services Limited. Previously, Kevin served as a member of the Auditing Practices Board, Head of Audit in KPMG Ireland and as Chairman of the Audit Committee Institute in Ireland from 2004 to 2012. Kevin holds a Bachelor of Commerce Degree and is a Fellow of the ICAI.

13 **Conor O'Mahony** is currently a Principal Officer in the Office of the Director of Corporate Enforcement ('ODCE') where he has responsibility for matters relating to insolvent companies. He previously headed up the Small and Medium Enterprise Policy Unit in the Department and before that worked in the Department of Finance and the Revenue Commissioners. Conor was a member of the Review Group on Auditing that led to the establishment of IAASA.

14 **Muireann O'Neill** is employed by Cork Institute of Technology and lectures for the ICAI. Muireann also holds a directorship on the Board of Inland Fisheries Ireland ('IFI') and is chairperson of the IFI Audit Committee. She has in the past worked for the Department of Finance where she was appointed a member of the Advisory Forum on Financial Legislation in 2007 . Muireann is a Fellow of the ICPAI and is also a member of this Institute's CPE Compliance Committee.

15 **Michael Quinlan** is a practicing solicitor in private practice with Dixon Quinlan in Dublin. He is an elected member of the Council of the Law Society since 2000 and a Past Chairman of the Society's Regulation of Practice Committee. Michael is a former President of the Dublin Solicitors Bar Association.

4.3 Board procedures

The Board holds regular meetings and its procedures further provide for the convening of unscheduled meetings should the need arise. 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 IAASA's statutory functions and powers. Certain matters are delegated to Board Committees, as outlined in section 4.5, 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 IAASA 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 IAASA. In this regard, all Board members 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.

4.4 Board meetings

During the year, the Board held eight meetings. The membership of the Board during the year, together with details of the number of meetings attended by each director, is set out in the Table 1.3.

Table 1.3: Directors' attendance at Board meetings

Director	Meetings attended/ Meetings eligible to attend
Prof. Brendan Walsh (Chairperson)	8/8
Ms. Helen Hall (Chief Executive)	8/8
Ms. Deirdre Behan	7/8
Ms. Marie Daly	7/8
Ms. Máiréad Devine	6/8
Mr. Seán Hawkshaw	7/8
Mr. Paddy Keating	6/8
Mr. David Martin	8/8
Ms. Bernadette McGrory-Farrell	8/8
Ms. Sylvia McNeece	7/8
Mr. Kevin O'Donovan	8/8
Mr. Conor O'Mahony	8/8
Ms. Muireann O'Neill	7/8
Mr. Michael Quinlan	6/8
Mr. Gerard Scully	7/8

4.5 Board 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 Table 1.4.

Table 1.4: Board Committees – mandates and membership

Committee	Mandate	Membership at 31 December 2013
Section 23 Committees	In accordance with the provisions of section 23 of the Act and the Companies (Auditing and Accounting) Act, 2003 (Procedures Governing the Conduct of Section 23 Enquiries) Regulations, 2012, the Authority from time to time establishes Preliminary Enquiry Committees ('PECs') and Enquiry Committees for the purpose of determining whether a PAB has complied with its approved investigation and disciplinary procedures. Whilst section 23 Committees report to the Board on a regular basis, such reporting is concerned mainly with the progress of enquiries and other important issues relevant to the overall governance of the Authority (e.g. matters pertaining to litigation risk etc.). The Board does not receive reports regarding the subject matter of enquiries as Committees operate independently of the Board and Executive in discharging their mandates.	Board members are nominated to PECs/ Enquiry Committees as and when the need arises.
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.	Mr. Gerard Scully (Chairperson) Mr. Seán Hawkshaw Ms. Muireann O'Neill

The Audit Committee comprises three non-executive directors and its terms of reference are set out in the Charter of the Audit Committee ('the Charter'). A copy of the Charter is included as Appendix 2. The Charter sets out specific roles and responsibilities for the Audit Committee, and Table 1.5 sets out how these roles were discharged in 2013. The Audit Committee met on six occasions during the year.

Table 1.5: Audit Committee activities

Charter Requirement	Actions taken during 2013
Internal controls and risk management systems (section 6.1)	The Committee reviewed the System of Internal Financial Control in conjunction with the internal auditor. The Committee reviewed the Authority's Risk Register and framework based on its own assessment, input from the Executive and a detailed review by the Board at its annual strategic review day.
Financial reporting (section 6.2)	The Committee reviewed the 2012 Financial Statements and recommended their approval by the directors. A significant review and reappraisal of accounting policies took place in 2011, and no further amendment was considered necessary or appropriate in respect of the 2012 Financial Statements. The Committee reviewed the 2012 Annual Report to the Minister, and considered the Report understandable, consistent and unbiased.
Whistleblowing (section 6.3)	Detailed 'whistleblowing' procedures remained in place throughout the period.
Compliance with laws, regulations and the Code of Practice for the Governance of State Bodies ('the Code') (section 6.4)	As alluded to above, the Authority's internal auditor completed a detailed audit of the System of Internal Financial Control, including testing of IAASA's compliance with the Code. The Committee satisfied itself that no material instances of non-compliance arose during the year under review.
Internal audit (section 6.5)	The Committee oversaw the appointment of BDO as internal auditors for the three year period 2013 – 2015 based on a public tender process. The Committee met with BDO on two occasions during the year. The Committee approved a three-year internal audit work programme.
External audit (section 6.6)	As mandated by the Act, the Comptroller & Auditor General ('C&AG') remained and remains IAASA's external auditor. The C&AG carried out its audit of the 2012 Financial Statements and cleared said Statements for approval by the directors. A representative of the C&AG attended the AGM on 16 July 2013 and read an unqualified (positive) Audit Opinion.
Reporting responsibilities (section 6.7)	A report from the Chairperson of the Audit Committee to the Board was given at each Board meeting in 2013.
Other matters (section 6.8)	The Internal Audit Charter was reviewed and updated by the Audit Committee, and approved by the Board on 16 July 2013 Based on an internal audit recommendation, the Committee directed the compilation of an employee handbook, a project which was ongoing at year end.

In addition:

- the external auditor and internal auditor have access to the Audit Committee Secretary whenever required; and
- where requested by the Audit Committee Chairperson, the Head of Finance & Administration took part in the meetings of the Committee during 2013.

The Audit Committee reviewed the 2013 Financial Statements and found no issues of significance arising therefrom.

On the expiration of the term of office of Mr. Gerard Scully as a director of IAASA, Mr. Conor O'Mahony was appointed Chairperson of the Audit Committee on 29 January 2014.

5. Corporate Governance Statement

5.1 Introduction

The Board is committed to operating and maintaining the highest standards of corporate governance and to ensuring compliance with the Authority's various legal and other obligations. As a body established under statute, the Authority is subject to the provisions of the Code of Practice for the Governance of State Bodies as issued by the Department of Finance. The Code sets out the principles of corporate governance applicable to State bodies.

In addition to complying with the Code, in 2011 the Board also voluntarily adopted the UK Corporate Governance Code ('UK Code') and the Irish Corporate Governance Annex to the UK Code as promulgated by the ISE ('Irish Annex'). This Corporate Governance Statement, together with the contents of this Annual Report, describes how the Authority applies the principles of the Code, the UK Code and the Irish Annex.

The directors acknowledge their responsibility for preparing the Annual Report and the Financial Statements respectively, and consider that these documents, taken as a whole, are fair, balanced and understandable, and provide the information necessary for stakeholders to assess IAASA's performance, business model and strategy. Except where otherwise stated, the directors believe that the Authority has complied with the provisions of the Code, the UK Code and the Irish Annex.

5.2 Statement of compliance

The Authority has taken the following steps to ensure its ongoing compliance with the Code, the UK Code and the Irish Annex:

- adopted a Schedule of Matters Reserved to the Board and adopted formal and documented delegations of authority to Board Committees and to the Chief Executive, which are reviewed from time to time;
- documented the Chief Executive's and Chairperson's respective roles;
- put in place measures whereby directors have access to the advice and services of the Secretary and 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 a specialised directors' orientation briefing upon appointment to the Board including a detailed outline of their fiduciary duties under law;
- adopted Codes of Conduct for both directors and employees;
- appointed an Audit Committee comprising of non-executive directors;
- appointed an external provider of internal audit services;
- developed and approved Charters for both the Audit Committee and internal auditors which reflect both best practice and the Code's requirements;
- 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;
- put in place a system of documented internal controls and related procedures, which addresses the Authority's obligations under public sector procurement requirements;
- adopted a whistle blowing procedure, i.e. whereby employees of the Authority can, in strict confidence, raise any concerns that they might have regarding possible irregularities in financial reporting or other matters directly with the Chairperson of the Audit Committee;
- introduced formal procedures for addressing any instances in which Board members have a concern that cannot be resolved, registering of such concerns and bringing of such concerns to the Board's attention;
- adopted requirements regarding the disclosure of interests by directors;
- ensured that appropriate directors' and officers' insurance is in place;

- resolved that the topic of risk management should become a standing agenda item at Board meetings, conferred responsibility for monitoring risk management on the Audit Committee and appointed a Chief Risk Officer at a senior level;
- adopted a policy whereby the Authority shall comply with all Department of Finance circulars regarding travel and subsistence;
- conducted Board meetings in the absence of the Chief Executive; and
- adopted a Customer Charter to provide information on the standards of service that stakeholders can expect from the Authority.

The Authority's directors and senior management are also subject to the provisions of Ethics in Public Office legislation, which requires, amongst other things, the annual disclosure of any interests that could materially influence them in relation to the performance of their official functions.

Certain of the provisions of the UK Code and the Irish Annex are not applicable to a body such as IAASA having regard to its corporate status (i.e. as a company limited by guarantee as opposed to limited by shares) and the legislative provisions governing its establishment and on-going governance arrangements. Set out in Appendix 4 in summary form are the principal provisions of the UK Code and Irish Annex which are not applicable to the Authority or with which the Authority did not otherwise consider it practicable or appropriate to comply, together with summary explanations for the associated reasons.

6. Other public sector and other governance obligations

6.1 Legal and governance obligations as a body established under statute

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 contribute as required to the Authority's ongoing compliance with its obligations.

6.2 Legal requirements under the Companies Acts

During the year, in compliance with the Authority's obligations as a company[1], the directors:

- held the Authority's seventh Annual General Meeting on 16 July 2013; and
- filed the company's Annual Return with the Registrar of Companies on 17 July 2013.

The Authority has taken the steps necessary to ensure that, in compliance with section 202 of the Companies Act 1990 ('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.

6.3 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;
- 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;
- Ethics in Public Office law;
- European Communities (Energy End-use Efficiency and Energy Services) Regulations; and
- the European Communities (Late Payments in Commercial Transactions) Regulations, 2012.

Certain other requirements typically applicable to statutory bodies such as the Freedom of Information Acts, Disability Acts and the Official Languages Act do not apply to the Authority by virtue of it not having been designated for such purposes at this time.

1 The Authority is a company limited by guarantee.

CHAPTER 2

Supervision of the Accountancy Profession

1. Introduction

This Chapter details IAASA's activities during the year to promote effective regulation of accountants and auditors through the delivery of independent and effective supervision of the PAB's regulation and monitoring of their members.

IAASA's activities in this regard are primarily focussed on:

a) supervision of the nine PABs, which falls broadly into the following categories:
   - approval of the PABs' constitutional documents (Section 3);
   - supervisory reviews and meetings (Section 4);
   - complaints handling (Section 5);
   - statutory enquiries (Section 6);
   - attachment of conditions to the RABs' recognitions (Section 7); and
   - the PABs' annual return process, which is detailed in a separate publication on statistics entitled *Profile of the Profession 2013*;

b) responding to queries from members of the public (Section 8);

c) implementation of the Statutory Audit Directive Regulations (Section 9);

d) registration of third country auditors and audit entities (Section 10);

e) cooperation with IAASA's EU and international counterparts, as well as with other national and EU authorities (Section 11); and

f) monitoring of the European Commission's ('EC') proposals to reform the European audit market (Section 12).

2. Overview of supervisory activities

2.1 IAASA's principal functions relating to the PABs

The Act provides that IAASA's principal functions relating to the PABs include:

- granting approval of the PABs' constitutional documents and other related rules, regulations and standards applying to their members, and of all proposed amendments thereto;
- supervising the operation of the PABs' investigation and disciplinary processes;
- supervising the manner in which the RABs monitor their members and member firms; and
- performing the functions conferred upon it by the Statutory Audit Directive Regulations.

Detailed information regarding IAASA's functions in respect of the PABs was provided in its first Annual Report (i.e. the 2006 Annual Report), which can be accessed on the IAASA website.

2.2 PABs and RABs

A PAB is an accountancy body that comes within IAASA's supervisory remit. There are currently nine PABs:

ACCA Association of Chartered Certified Accountants;

AIA Association of International Accountants;

CIMA Chartered Institute of Management Accountants;

CIPFA Chartered Institute of Public Finance & Accountancy;

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; and

IIPA Institute of Incorporated Public Accountants.

Six of the nine PABs are also RABs. A RAB is an accountancy body that has been recognised for the purposes of the Statutory Audit Directive Regulations and section 187 of the 1990 Act. RABs are permitted to authorise their members/member firms to practice as auditors. The six RABs are the ACCA, ICAEW, ICAI, ICAS, ICPAI and the IIPA.

3. Approval of the PABs' constitutional documents

IAASA is responsible for the approval of the PABs' constitutional documents (i.e. the PABs' charters, memoranda and articles of association, bye-laws, rules, regulations, codes and standards) and any amendments thereto. These approval activities enable IAASA to ensure that the PABs' rules and regulations provide a suitable framework for the regulation and monitoring of their members.

As can be seen from Table 2.1, IAASA approved 33 constitutional documents during the year, which related to the ACCA, AIA, CIPFA, ICAEW, ICAI, ICAS and the IIPA. The review of a further 13 constitutional documents was ongoing at 31 December 2013.

Table 2.1: Approvals granted

	2013	2012
Sets of bye-laws	2	-
Sets of amended bye-laws	2	3
Sets of regulations	2	3
Sets of amended regulations	20	13
Codes of ethics and conduct	1	-
Amended codes of ethics and conduct	3	1
Charters	2	-
Amended articles of association	1	-
Total	**33**	**20**

4. Supervisory reviews and meetings

4.1 Supervisory reviews

During the year, IAASA issued one final supervisory review report and one follow-up review report. At 31 December 2013, drafting of the reports in respect of two further supervisory reviews and one follow-up review was ongoing.

The focus of the issued reports was investigation and disciplinary processes. As in previous years, the main issues identified during supervisory visits included:

- non-compliance with approved constitutional documents;
- delays in processing complaints; and
- weaknesses in the documentation of complaints.

IAASA works with the PABs concerned to address the issues identified through improvements to their overall systems and processes. At 31 December 2013, IAASA continued to actively consider a number of these matters and to monitor the relevant PABs' implementation of recommendations made in previous supervisory review reports.

4.2 Review meetings

IAASA staff held 10 review meetings with PAB representatives during the year. The purpose of such meetings is, amongst other things, to:

- review outstanding actions and obtain updates on all outstanding regulatory matters;
- make recommendations where IAASA has identified potential improvements to the manner in which the PABs regulate and monitor their members;
- discuss progress on the implementation of IAASA's recommendations;
- identify, discuss and plan for forthcoming developments; and
- discuss regulatory matters of mutual interest.

5. Complaints handling

5.1 Overview

A 'complaint' includes any expression of dissatisfaction with professional services provided by members/member firms of the PABs and/or with the regulation of accountants by the PABs, whether communicated to IAASA by members of the public or otherwise.

Under the model of supervised self-regulation provided for by the Act:

- the PABs are responsible for carrying out investigations into their members' activities where necessary; and
- IAASA is responsible for supervising the PABs' compliance with their approved investigation and disciplinary procedures.

5.2 Complaints received

During the year, IAASA responded to complaints received from members of the public, providing them with assistance and the information necessary to:

- understand IAASA's and the PABs' respective roles in the processing of complaints; and
- direct their complaints to other relevant authorities, where appropriate.

18 complaints were received during they year, further details of which are set out in Table 2.2. The principal issues raised by complainants related to:

- allegations of unsatisfactory work;
- alleged breach(es) of standards by PAB members/member firms;
- dissatisfaction with some aspect(s) of the PABs' investigation and disciplinary procedures; and
- dissatisfaction with fees charged.

Table 2.2: Complaints received

	2013	2012
Complaints on hand as at 1 January	13	13
Complaints received during the year	18	29
Complaints closed during the year	(15)	(29)
Complaints on hand as at 31 December	**16**	**13**
Analysed as:		
Complaints under consideration at year end	13	10
Matters ongoing under the Section 23 process (see Table 2.3)	3	3

Where IAASA receives a complaint which has not, in the first instance, been made to the relevant PAB, it refers the matter to the PAB for processing in accordance with its approved investigation and disciplinary procedures. Of the 15 complaints closed during the year, 12 were referred to the relevant PAB.

5.3 Referrals from other regulators

In 2013, IAASA received a total of 14 referrals from the ODCE. No referrals were received from other regulators during the year. Issues identified in the ODCE's referrals included:

- lack of auditor independence;
- provision of false information under the Companies Acts;
- lack of qualification to audit; and
- the duty of auditors to report to the ODCE.

The PABs typically process such referrals as complaints. Consequently, during the year IAASA continued to monitor the PABs' responses to referrals from other regulators through the routine supervision of their approved investigation and disciplinary processes.

5.4 Supervision of the PABs' responses to matters of public interest

As detailed in Section 5.1, the PABs are primarily responsible for their investigation and disciplinary processes, which are subject to IAASA's oversight. Accordingly, IAASA normally focuses on the proper operation of the PABs' investigation and disciplinary systems rather than on their handling of individual cases. However, where issues are identified which appear to be of a public interest nature, they are brought to the attention of the relevant PAB and the responses are monitored accordingly. Such issues are typically identified through IAASA's ongoing monitoring of the media, PAB review meetings, complaints handling and interaction with its domestic and international counterparts. Such supervision may at times result in the Authority invoking more direct enquiry or investigative powers under Section 23 or Section 24 of the Act respectively.

6. Statutory enquiries

IAASA is empowered by section 23 of the Act to initiate statutory enquiries to determine whether PABs have complied with their approved investigation and disciplinary procedures. An overview of the section 23 process is available on the IAASA website. Table 2.3 details the section 23 enquiry activities during the year.

Table 2.3: Summary of section 23 enquiry activity

	Preliminary Enquiry Stage	Full Enquiry Stage	Total
Section 23 enquiries ongoing at 1 January 2013	2	1	3
Preliminary enquiries completed during the year	(1)	-	(1)
Full enquiries initiated during the year on foot of *prima facie* cases having been found by a PEC	-	1	1
Section 23 enquiries ongoing at 31 December 2013	**1**	**2**	**3**

7. Attachment of conditions to the RABs' recognitions

The RABs are, subject to certain criteria being satisfied, permitted to register their members/member firms to practice as auditors. Section 192 of the 1990 Act provides that IAASA may attach such terms or conditions as it considers necessary to the recognition of a RAB. That section also provides that IAASA may amend the terms of a previously attached condition. During the year, in addition to monitoring the relevant RABs' compliance with previously attached conditions, a further three conditions were attached and one condition was removed.

8. Queries received

As detailed in Table 2.4, IAASA received 138 queries relating to its supervision of the accountancy and auditing profession from members of the public during the year. While it is not appropriate to provide advice to members of the public, IAASA tries to assist enquirers to the fullest extent possible.

Table 2.4: Nature of queries received

	2013	2012
PABs or individual accountants/auditors	40	29
IAASA's role or IAASA's and the PABs' respective roles	24	32
How to lodge a complaint with IAASA and/or a PAB	5	13
Third country audit registration	18	39
Companies legislation	39	72
Relating to the functions of other regulatory bodies	2	2
Miscellaneous	10	18
Total	**138**	**205**

9. Implementation of the Statutory Audit Directive Regulations

9.1 Activities related to the Statutory Audit Directive Regulations

As detailed in IAASA's 2010 Annual Report, the Statutory Audit Directive Regulations provided IAASA with additional functions and responsibilities in respect of the system of public oversight of statutory auditors and audit firms in Ireland. IAASA's work during the year relating to the Statutory Audit Directive Regulations included:

- registration of third country auditors, as detailed in Section 10;
- receipt and recording of 2,401 notifications relating to auditor resignations and removals; and
- continued liaison with the Individually Authorised Auditors ('IAAs') regarding the additional requirements imposed on them by the Statutory Audit Directive Regulations and facilitating their supervision by the RABs, as detailed in Section 9.2.

9.2 Individually Authorised Auditors

As detailed in IAASA's 2010 annual report, an IAA is an individual who, while not necessarily being a RAB member, was granted Ministerial authorisation to audit prior to 3 February 1983. The Statutory Audit Directive Regulations provided that the IAAs' approval to act as Statutory Auditors (previously 'company auditors') was deemed to continue provided that such individuals became either a member of, or subject to regulation by, a RAB '*as soon as may be*'. However, this term was not defined in the Regulations.

During the year, the Statutory Audit Directive Regulations were amended by *S.I. 174 of 2013 – European Communities (Statutory Audits) (Directive 2006/43/EC) (Amendment) (No. 2) Regulations 2013* ('the 2013 Regulations'). The 2013 Regulations provide that an IAA's deemed approval shall cease on 30 November 2013 unless he is subject to the regulation of and listed on the public register of statutory auditors by a RAB.

IAASA liaised with the IAAs on an individual basis during the year to ensure they were fully aware of their obligations under the 2013 Regulations.

10. Registration of third country auditors and audit entities

10.1 Transitional registration of third country auditors and audit entities

The European Commission ('EC') put in place a transitional framework whereby auditors and audit entities from certain third countries could continue to issue valid audit opinions in the EU provided that certain requirements were met. In 2011, the EC extended the transitional period in respect of certain third countries through Decision 2011/30/EU, which was transposed into Irish law by *S.I. 312 of 2012 – European Union (Third Country Auditors and Audit Entities Equivalence, Transitional Period and Fees) Regulations 2012.* In June 2013, the EC amended Decision 2011/30/EU and further extended the transitional period for certain third country auditors/audit entities. During the year, IAASA approved three applications for transitional registration. The register of transitional third country auditors is available on the IAASA website.

10.2 Registration in accordance with Regulation 113 of the Statutory Audit Directive Regulations

Where a third country auditor or audit entity is not entitled to avail of transitional registration, it must apply for full registration under Regulation 113 of the Statutory Audit Directive Regulations. While the transitional registration process requires applicants to provide IAASA with limited information, the full registration process under Regulation 113 entails a detailed assessment of each application, which was outlined in IAASA's 2011 Annual Report.

During the year, IAASA renewed the full registration of 14 third country audit firms. In addition, four applications for full registration were approved. IAASA is responsible for updating the Register of Third Country Auditors (which is available on the Companies Registration Office ('CRO') website, www.cro.ie) for approved applications and notifying any changes to the CRO.

In addition, IAASA provided advice and comments to the Department in respect of the introduction of annual fees payable by third country audit firms, which was subsequently implemented through *S.I. 67 of 2013 – European Communities (Statutory Audits) (Directive 2006/43/EC) (Amendment) Regulations 2013.*

11. Domestic and international cooperation

As part of IAASA's ongoing supervisory activities, it has developed and seeks to maintain strong links with domestic and international counterparts. Of particular significance are IAASA's links with the:

- Office of the Director of Corporate Enforcement;
- Central Bank of Ireland;
- Companies Registration Office;
- European Group of Auditors' Oversight Bodies ('EGAOB');
- European Audit Inspection Group ('EAIG');
- International Forum of Independent Audit Regulators ('IFIAR');
- UK Financial Reporting Council ('FRC'); and
- Public Company Accounting Oversight Board ('PCAOB').

During 2013, IAASA also participated in an expert group of Quality and Qualifications Ireland ('QQI'), as detailed in section 11.9.

11.1 ODCE

In accordance with the Memorandum of Understanding ('MoU') signed with the ODCE in May 2006, where IAASA identifies issues that relate to the ODCE's functions, it refers such issues to the ODCE and similarly the ODCE refers any issues relating to IAASA's functions to IAASA. During the year, IAASA made three such referrals to the ODCE and as noted in Section 5.3, 14 referrals were received from the ODCE. In addition to referrals, IAASA meets with the ODCE on at least an annual basis to discuss matters of mutual interest.

11.2 Central Bank

To facilitate cooperation, IAASA signed a MoU with the Central Bank (then the Financial Regulator) in June 2008. Where, during its ongoing supervisory activities, IAASA identifies issues that relate to the Central Bank's functions, it refers them to the Central Bank. In addition, IAASA meets with the Central Bank on at least an annual basis to discuss matters of mutual interest.

11.3 CRO

During the year, IAASA continued to work with the CRO regarding the impact of the Statutory Audit Directive Regulations on the public register of statutory auditors, in particular with regard to IAAs and third country auditors. Additionally, one issue was identified during the year relating to the CRO's functions which was referred to the CRO.

11.4 EGAOB

In 2013, IAASA continued to cooperate with other EU Member States' oversight authorities as a member of the EGAOB. The EGAOB is an expert group established by the EC to assist it in the implementation of the Statutory Audit Directive. The EGAOB's functions and work are detailed in IAASA's previous Annual Reports, which are available on the IAASA website.

11.5 EAIG

During the year, IAASA continued to participate as a member of the EAIG, which comprises independent European auditor regulators. In addition to attending EAIG meetings, IAASA contributed to the EAIG's response to the International Auditing and Assurance Standards Board's ('IAASB') invitations to comment on:

- *Reporting on Audited Financial Statements*;
- *A Framework for Audit Quality*; and
- *The auditor's responsibilities relating to other information in documents containing or accompanying audit financial statements and the auditor's report thereon.*

11.6 IFIAR

During the year IAASA continued to be an active member of IFIAR. IFIAR members met on two occasions during 2013 (once in plenary session and for an audit inspection workshop).

11.7 FRC

As noted in the *Profile of the Profession 2013*, available on the IAASA website, the majority of the PABs have a significant number of members located in the UK. In this context, IAASA continued to liaise with the FRC during the year, including a meeting with FRC representatives, regarding regulatory matters of mutual interest.

Additionally, IAASA acts as an observer at meetings of the Audit and Assurance Council ('AAC'), which provides advice to the FRC on matters relating to auditing and assurance. Attendance at these meetings assists IAASA in its role of cooperating in the development of auditing and ethical standards and enables it to identify developments that may have a particular relevance to, or bearing on, Ireland.

Significant activities of the AAC in 2013 included:

- publication of *Practice Note 23 – Special Considerations in Auditing Financial Instruments*;
- response to the Basel Committee's invitation to comment on its *Consultative Document – External Audits of Banks*;
- response to the International Ethics Standards Board for Accountants' invitation to comment on the proposed revisions to *The Code of Ethics for Professional Accountants* in respect of *Responding to a Suspected Illegal Act*;
- response to the IAASB's invitation to comment on the proposed revisions to *ISA 720 – The Auditor's Responsibilities Relating to Other Information in Documents Containing or Accompanying Audited Financial Statements and the Auditor's Report Thereon*; and
- publication of revised *ISAs (UK and Ireland) 315 – Identifying and Assessing the Risk of Material Misstatement Through Understanding the Entity and its Environment*, *610 – Using the Work of Internal Auditors* and *700 – The Independent Auditor's Report on Financial Statements*.

11.8 PCAOB

During the year IAASA continued discussions with the PCAOB on the implementation of the Statutory Audit Directive Regulations and the PCAOB's proposals to perform inspections of Irish audit firms registered with the PCAOB. However, the EC Recommendation on Quality Assurance will need to be implemented in Ireland before a statement of protocol can be finalised, as this would allow the PCAOB to rely upon IAASA's quality assurance and regulatory system.

11.9 Quality and Qualifications Ireland

A representative from IAASA participated in an expert group of QQI regarding the project to translate the generalised National Framework of Qualifications for the professional awards in accountancy, including providing suggested changes to the draft document.

12. Proposals to reform the European audit market

In November 2011, the EC published proposals for a new Regulation and changes to the existing Statutory Audit Directive. The reforms, which are intended to increase audit quality and re-establish investor confidence in financial information, will lead to significant changes in the regulation and supervision of audits.

During the year, IAASA continued to monitor the proposals and to provide advice to the Department. In particular, IAASA provided staff resources to support the Department's chairing of the audit reform working group during the Irish Presidency of the EU Council from January to June 2013.

In December 2013, provisional agreement was reached between the European Parliament, the EU Council and the EC. The European Parliament formally adopted the texts on 3 April 2014, and the EU Council is expected to ratify these texts in due course. Once the final documents have been voted upon and adopted by the EC, IAASA will liaise with the Department regarding the interpretation and implementation of the reforms and the transposition of the revised Directive into Irish law.

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CHAPTER 3

Examination of Issuers' Financial Reports

1. Introduction

This Chapter sets out:

a) the key activities undertaken in 2013 by IAASA in relation to its financial reporting enforcement function; and

b) the ancillary functions relating to its financial reporting enforcement i.e.:

- cooperation with other EU national accounting enforcers;
- cooperation in the development of financial reporting standards; and
- providing financial reporting advice to the Minister.

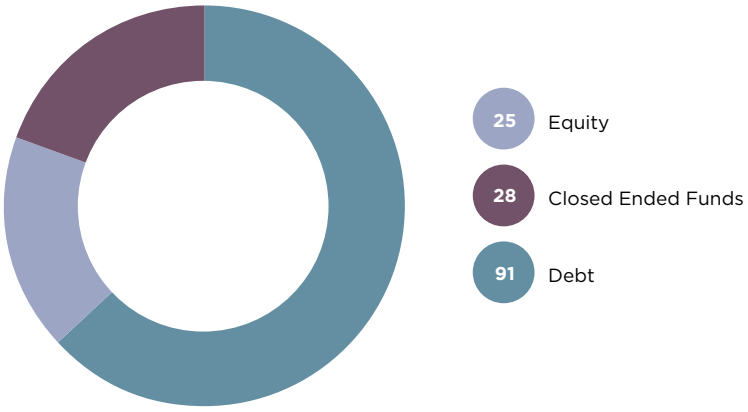
IAASA's legal framework for the examination of issuers' financial reports is set out in the Transparency (Directive 2004/109/EC) Regulations 2007 ('Transparency Regulations'). Further detailed information regarding IAASA's functions in this respect can be accessed on the IAASA website.

2. Examination of entities' periodic financial reporting

2.1 Issuer constituency

At 31 December 2013, IAASA's financial reporting examination constituency comprised 144 (2012: 142) issuers made up of 25 equity issuers, 28 fund issuers and 91 debt issuers. Table 3.1 details the number of financial reports of these issuers which are under IAASA's remit.

Table 3.1: Financial reporting review constituency at 31 December 2013



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	25	25	25	50
Fund	28	28	28	56
Debt	91	50	91	141
Total	**144**	**103**	**144**	**247**
Total at 31 December 2012	*142*	*122*	*142*	*264*

1.2 Categories of examination

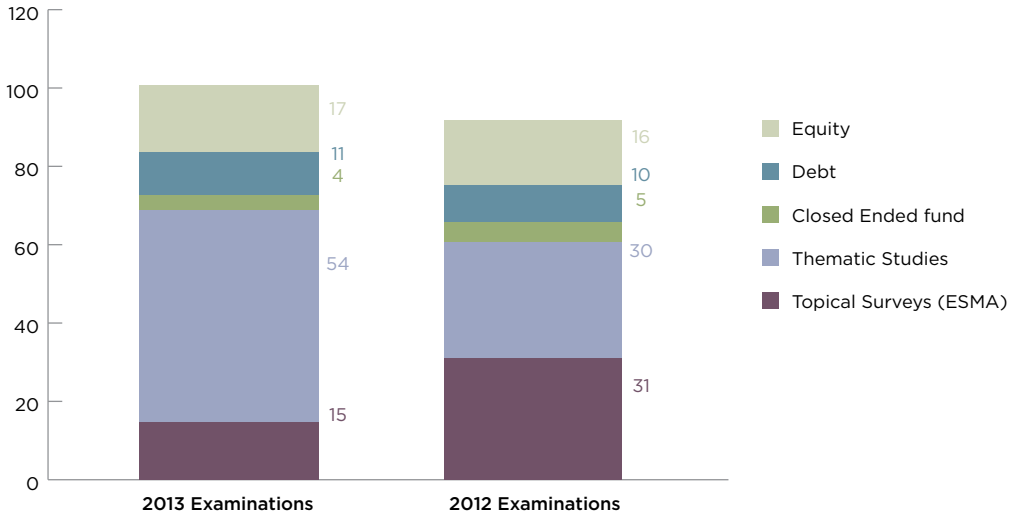
Depending upon risk factors identified and other relevant considerations, examinations undertaken by IAASA can be categorised as being:

- **Full Scope Examinations** – these examinations comprise an examination of the full financial statements for compliance with the relevant reporting framework;
- **Focused Examinations** – these examinations involve the examination of a particular aspect (or aspects) of the selected financial report;
- **Follow-up Examinations** – these are examinations which examine a previously examined issuer's financial report for the purpose of assessing the adequacy of the issuer's responses to matters previously raised. These examinations are usually undertaken with a view to determining whether an issuer's directors have honoured undertakings previously provided to IAASA;
- **Thematic Examinations** – where IAASA undertakes examinations of the financial reporting practices adopted by a range of issuers in respect of one or more financial reporting matters. These surveys are desk-based and limited to examining publicly published information without issuer engagement. Thematic examinations undertaken in 2013 were:
  a) the disclosure of key management personnel ('KMP') compensation by Irish equity issuers; and
  b) the application of certain aspects of IAS 1 *Presentation of Financial Statements* by selected Irish equity issuers; and
- **Topical Surveys** – these surveys, mandated by ESMA, comprise the examination of the financial reporting treatments applied by selected issuers based on parameters set by ESMA. These surveys are also desk-based and limited to examining publicly published information without issuer engagement. If, as a result of its findings from these surveys, IAASA subsequently engages with an issuer, that subsequent engagement is designated as a separate full scope or focussed examination as appropriate.

2.3 Examinations undertaken in 2013

Examinations which were undertaken in the year are set out in Table 3.2.

Table 3.2: Examinations undertaken in 2013



	2013				2012
	Equity	Fund	Debt	Total	Total
Examinations of annual financial reports	16	2	10	**28**	*29*
Examinations of half-yearly financial reports	1	2	1	**4**	*2*
Thematic examinations:					
disclosure of KMP compensation	24	-	-	**24**	-
presentation of the Income Statement by equity issuers	10	-	-	**10**	
IAS 19 discount rates measurement and disclosure	20	-	-	**20**	-
half-yearly reports (IAS 34)	-	-	-	-	*10*
Alternative Performance Measures ('APMs')	-	-	-	-	*20*
ESMA topical surveys:					
IAS 19	5	-	-	**5**	*21*
IAS 36	5	-	-	**5**	*10*
IAS 37	5	-	-	**5**	-

A list of issuers' annual and half-yearly financial statements subject to full, focussed or follow-up examination during 2013 is set out in Table 3.3.

Table 3.3: Issuers examined during 2013

Issuer	Report type	Examination type	Period end
Equity issuers examined during 2013			
Aer Lingus Group plc	Half-yearly	Focused	31 December 2012
Aer Lingus Group plc	Half-yearly	Focused	30 June 2013
Aer Lingus Group plc	Annual	Follow up	31 December 2012
Aminex plc	Annual	Full	31 December 2012
Bank of Ireland	Annual	Focused	31 December 2012
CRH plc	Annual	Full	31 December 2012
Datalex plc	Annual	Focused	31 December 2012
DCC plc	Annual	Follow up	31 March 2013
Dragon Oil plc	Annual	Focused	31 December 2012
FBD Holdings plc	Annual	Focused	31 December 2012
Glanbia plc	Annual	Focused	29 December 2012
Greencore Group plc	Annual	Focused	30 September 2012
Independent News & Media plc	Annual	Full	31 December 2012
Irish Continental Group plc	Annual	Focused	31 December 2012
Kerry Group plc	Annual	Focused	31 December 2012
Paddy Power plc	Annual	Focused/ Follow up	31 December 2012
Smurfit Kappa Group plc	Annual	Follow up	31 December 2012
Fund issuers examined during 2013			
Acencia Debt Strategies Limited	Annual	Full	31 December 2012
Carador Income Fund plc	Half-yearly	Full	30 June 2013
Lyxor Focus Fund (GBP) Limited	Annual	Full	31 December 2012
PXP Vietnam Fund Limited	Half-yearly	Full	31 March 2013
Debt issuers examined during 2013			
Arcade Finance plc	Annual	Follow up	30 April 2013
Custom Market Securities plc	Annual	Follow up	30 September 2012
Custom Market Securities plc	Half-yearly	Full	31 March 2013
Depfa Bank plc	Annual	Full	31 December 2012
Eirles Two Limited	Annual	Follow up	31 December 2012
Equinox Credit Funding plc	Annual	Follow up	30 September 2012
Global Asset Programme Limited	Annual	Focused/ Follow up	31 December 2012
Greenstreet Structured Finance plc	Annual	Follow up	30 April 2013
Lorally CDO Limited	Annual	Follow up	31 December 2012
Lunar Funding V plc	Annual	Follow up	31 December 2012

The financial reports examined in 2013 were selected on the basis of:

a) rotational selection (thereby ensuring that all issuers, irrespective of their assessed risk profile, are selected for review over a period of time);

b) the application of risk profiling (whereby issuers are ranked based on the combination of the potential for misstatement and the potential impact of misstatement on users); and

c) the outcome of overviews of periodic financial reports (such overviews being undertaken to detect financial reporting treatments warranting closer examination).

IAASA completed 32 examinations (2012: 31) of individual financial statements during 2013 and corresponded with issuers in relation to 24 of these examinations. A further three examinations were at an advanced stage at year end and IAASA was in ongoing correspondence with these three issuers.

A total of 131 (2012: 133) matters were raised with issuers' directors in respect of completed reviews.

The average number of matters raised with issuers in respect of full scope examinations undertaken was nine (2012: 11).

A total of 71 (2012: 91) voluntary undertakings to amend future periods' financial statements were provided by issuers' directors – 33 (2012: 40) in respect of full scope reviews and 38 (2012: 51) in respect of focused and follow-up reviews.

A further 54 financial statements were reviewed as part of thematic studies, with 11 issuers being corresponded with on 16 matters leading to undertakings in six cases. Section 2.6 provides further detail on these thematic studies.

2.4 Outcomes of 2013 examinations

As a consequence of IAASA's examinations:

a) 17 (2012: 22) issuers provided undertakings in respect of future periodic financial reports; and

b) One (2012: One (half-yearly)) issuer agreed to amend its annual financial report and to publish a revised financial report.

IAASA held face-to-face meetings and/or conference calls with 14 issuers during the year as part of their financial statement examinations.

2.5 Matters considered by IAASA in its 2013 financial statement examinations

Providing information regarding its work and being transparent about the outcomes of examinations is challenging given the restrictive confidentiality regime set out in section 31 of the Act. As that section is worded, except in very restricted circumstances, IAASA is prohibited from disclosing information that is obtained in performing the functions or exercising the powers of the Authority that has not otherwise come to the notice of members of the public. Consequently, IAASA has extremely limited ability to disclose information, despite a desire to publish the results of the nature of examinations and it being beneficial to impart such information in certain circumstances. IAASA views the provision of information on the results of its financial reporting examinations, without necessarily identifying the name of the issuer involved, as assisting in building an awareness of, and confidence in, financial reporting. These confidentiality provisions have had and continue to have an adverse impact on IAASA's advocacy role.

As a consequence of these confidentiality provisions, Table 3.4, which outlines the types of financial reporting issues considered by IAASA during the year, is necessarily general in nature.

Accordingly, readers should understand that, in preparing Table 3.4, the financial reporting issues outlined:

a) do not necessarily reflect the most significant financial reporting issues raised with issuers during the year;

b) are highly summarised and simplified versions of what were, in some instances, protracted engagements with issuers on quite complex financial reporting treatments;

c) may reflect the amalgamation of a number of similar cases rather than relating solely to a specific issuer; and

d) omit important facts which cannot be disclosed because such facts have been provided by the issuer to IAASA and are not otherwise in the public domain.

Table 3.4: Financial reporting matters considered by IAASA in its 2013 examinations

Financial reporting pronouncement	Financial reporting matters considered
Provisions	
IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*	Aggregation of provisions into classes; and disclosures, including the minimum required disclosures.
Recognition and measurement of deferred tax assets	
IAS 12 *Income Taxes*	Consideration as to what information constitutes *'convincing other evidence'* with regarded to the recognition of deferred tax assets.
Impact of forbearance	
IFRS 7 *Financial Instruments: Disclosures* and IAS 39 *Financial Instruments: Recognition and Measurement*	Disclosures provided by financial institutions and in particular the disclosures required in relation to forborne loans in accordance with IFRS 7.B3.
Valuation techniques – disclosures and reasonably possible alternative assumptions that can change fair value significantly	
IFRS 7 *Financial Instruments: Disclosures*	Issuers' compliance with IFRS 7.27 (disclosure of valuation techniques and assumptions) and IFRS 7.27B(e) where changes to reasonably possible alternative assumptions would change fair value significantly.
Changes in risks – disclosure	
IFRS 7 *Financial Instruments: Disclosures*	Issuers' risk disclosures (qualitative and quantitative) and the need for those disclosures to continue to reflect changes, if any, in the issuer's circumstances.
Credit risk & credit quality	
IFRS 7 *Financial Instruments: Disclosures*	The quality of credit risk disclosures of Fund and Debt issuers remains varied. Credit risk disclosures should include the following information: • a more detailed and user specific description as to how credit risk is managed and mitigated; • quantitative data used to measure the credit risk and a description of changes in the credit risk during the year e.g. what key limits are set by the issuer to manage credit risk, what was the credit quality of assets and what is the permitted minimum credit quality of counterparties; • details as to whether there have been any credit events during the year; and • the actions, if any, the issuer can take to mitigate credit risk in the event that the minimum limits for credit risks is breached.
Disclosures in half-yearly reports	
IAS 34 *Interim Financial Reporting* and the Transparency Regulations	The quality of issuers' half-yearly reports has, in general, improved since the last such thematic examination conducted by IAASA (in 2007). However, there remains room for further improvement. The matters that most frequently merited correspondence with issuers included: • inadequate disclosure of significant events and transactions; • related party disclosures; • incorrect comparative period used; • changes to the presentation or classification of comparative amounts; • Interim Management Reports (Regulation 8(2)(b)) and risks and uncertainties for the remaining 6 months of the financial year; and • statement of compliance with IAS 34.19.

Table 3.4: Financial reporting matters considered by IAASA in its 2013 examinations (continued)

Financial reporting pronouncement	Financial reporting matters considered
Puttable financial instruments – classification as equity or liabilities	
IAS 32 *Financial Instruments: Presentation*	The rationale for the classification of certain shares as liabilities rather than equity.
Recognition, measurement and disclosure of uncertain tax positions	
IAS 12 *Income Taxes*, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and IAS 1 *Presentation of Financial Statements*	The recognition, measurement and disclosure of uncertain tax positions.
Risk disclosures	
FRS 29 (IFRS 7) *Financial instruments: disclosures*	A debt issuer revised its annual financial statements to provide additional disclosures including: • enhanced credit risk disclosures; • other price risk disclosures; • fair value disclosures (including valuation techniques); • presentation of derivatives gross rather than net; • inclusion of an accounting policy for derivative financial instruments; and • enhanced description of Notes/Debt issued by class.
Impairments	
IAS 36 Impairment of Assets	Matters examined included: • whether cash flow projections are based upon reasonable and supportable assumptions; • whether and, if so, how greater weight was given to external evidence; and • whether and, if so, why the growth rate of the cash flow projections exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates.

2.6 Thematic examinations

IAASA undertook three (2012: two) thematic examinations during 2013.

2.6.1 Presentation of financial statements by equity issuer (IAS 1 Presentation of Financial Statements)

The Income Statement (Profit and Loss account) is arguably the most important of the primary statements contained in an entity's financial statements and receives the most attention from commentators when an entity publishes its results.

IAASA performed a desk-top thematic review of selected Irish equity issuers' application of the requirements of IAS 1 and published a Commentary with the results of that thematic review. The Commentary was prepared to highlight for users of Irish equity issuers' annual financial statements the areas where divergent, but not necessarily non-compliant, approaches had been adopted in practice. Such divergent treatments reduce the comparability of issuers' annual financial statements and in IAASA's view it is important that users be aware of this.

IAS 1 sets out the overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. The Commentary focuses only on aspects of IAS 1's requirements in respect of the Income Statement.

The relevant accounting standard is not prescriptive in nature and issuers adopt alternative presentation methodologies which appear to comply with the accounting standard.

Users of issuers' financial statements such as investors and other finance providers were advised to critically evaluate reported headline items and the Income Statement presentation adopted by issuers.

Particular attention should be directed towards the items titled "operating profit" and "exceptional items". These terms are not defined by the relevant accounting standard but their use is particularly prevalent amongst Irish and UK entities.

Users should consider the related explanatory note disclosures including the definitions used and the accounting policy adopted (if any) in respect of these items.

In this context, the following results from the study are noteworthy:

- All 10 selected equity issuers' annual financial statements issuers presented a measure of "operating profit" or a similar line item.
- This review identified 30 different items presented as "exceptional items" by the 10 selected equity issuers in either their 2012 or 2011 annual financial statements.
- The review determined that the cumulative amount presented as "exceptional items" before tax by the 10 selected equity issuers over the five years amounted to €1.7bn, comprising €2.1bn in exceptional costs and €0.4bn in exceptional income.
- The costs presented as "exceptional" exceeded the income presented as "exceptional" by a factor of 5:1.
- The review identified a range of practices in presenting and disclosing "exceptional items".

The effectiveness of IAS 1 as a financial reporting standard meeting the needs of users of financial statements is a matter which the standard setter, the IASB, is reviewing as part of its short and medium term projects. A copy of the Commentary was provided to the IASB and the Head of Financial Reporting Supervision held informal discussions with IASB representatives on this matter. IAASA has agreed to further engage with the IASB as they progress their IAS 1 revision project. The Commentary is available on the publications page of the IAASA website.

2.6.2 Key management personnel disclosures ('KMP') (IAS 24 Related Party Disclosures)

IAS 24 seeks to ensure that financial statements draw attention to the possibility that the financial position and results of operations may have been affected by the existence of, and transactions with, related parties including transactions with KMP. This thematic review focused on disclosure of compensation payments by issuers to KMP.

IAASA performed a thematic review of Irish equity issuers' application of the requirements of IAS 24 in respect of the disclosure of KMP compensation.

In general, the standard of compliance with the KMP compensation disclosure requirements of IAS 24 was good, with the majority of issuers meeting the substantive requirements of IAS 24. However,

despite the good quality disclosures of many issuers, there are a number of areas where improvement is warranted and these are discussed in the document.

The document is available on the publications page of the IAASA website.

2.6.3 Employee benefits: measurement and disclosure of change in the discount rate (IAS 19 Employee Benefits)

The economic environment has resulted in the downgrading of the credit rating of many corporate (and government) bonds and a reduction in the number of AAA- and AA-rated bonds. The potential for the development of divergent practice amongst equity issuers in terms of the measurement of the discount rate of defined benefit retirement obligations prompted IAASA to conduct a desk top survey of equity issuers' compliance with aspects of IAS 19 during the year. This thematic survey was conducted to highlight the areas where divergent, but not necessarily non-compliant, approaches have been adopted in practice and to review the disclosures provided, for compliance with IAS 19. The thematic review comprised a desk top review of the published annual financial statements of all 20 equity issuers operating defined benefit plans.

Appendix II of the IAASA's *Observations on selected financial reporting issues issuers' financial years ending on or after 31 December 2013* summarises and compares the discount rates used by the 20 issuers in 2012 and 2011 and Appendix III of the document summarises other observations arising from the thematic review.

The *Observations* document is available on the publications page of the IAASA website.

3. Cooperation with other EU national accounting enforcers

3.1 EECS Activities

The main objective of the ESMA sponsored European Enforcers' Co-ordination Sessions ('EECS') is to coordinate the enforcement activities in the EU/EEA countries in order to increase convergence amongst European national accounting enforcers and contribute to fostering investor confidence.

As part of the regular activities of EECS, in 2013 IAASA:

a) supplied information for ESMA publications and conducted surveys on the application of IFRS across the EU from an Irish perspective;

b) attended all of the 9 (2012: 8/8) EECS plenary meetings held in 2013 and actively participated in the consideration of issues brought to EECS by other members;

c) submitted 5 (2012: 8) decisions to the EECS database;

d) presented 2 (2012: 6) decisions to the plenary meetings for discussion;

e) submitted and presented 1 (2012: 3) emerging case to the plenary meetings for discussion;

f) at ESMA's invitation, gave a formal presentation of results of our examination of the quality of selected debt and fund issuers' fair value and risk disclosures to other EU accounting enforcers and ESMA staff;

g) presented the following IAASA publications at the EECS plenary meetings:

- *Commentary on the application of certain aspects of IAS 1* Presentation of Financial Statements *by selected Irish equity issuers*;
- *Review of the application of accounting standard requirements in respect of the disclosure of key management personnel compensation by Irish equity issuers*;
- *Alternative Performance Measures – A survey of their use together with key recommendations*; and
- IAASA's Annual Report 2012;

h) attended the EECS sponsored cross-sector seminar on consistent application of IFRS for staff within national competent authorities undertaking enforcement of financial statements prepared in accordance with IFRS;

i) contributed to the ESMA Common Enforcement Priorities on 2013 Financial Statements; and

j) contributed to an ESMA Paper dealing with the recognition, measurement and disclosure of uncertain tax positions for discussions with IFRS Interpretations Committee representatives.

3.2 EECS Sub-Group on Materiality

As noted in last year's Annual Report, IAASA's Head of Financial Reporting Supervision was chairman of the EECS Sub-Group on Materiality. The output from this process was that in February 2013, ESMA published a Feedback Statement which provided an overview of the key messages from the responses received to the questions in the consultation paper and from participants at the roundtable. The findings were presented to the IASB and the IAASB, and ESMA has engaged with the IASB on its subsequent broad-based initiative to explore how disclosures in IFRS financial reporting can be improved.

3.3 ESMA Surveys

IAASA cooperated with the ESMA review of accounting practices of financial institutions. ESMA published a report on the comparability of the IFRS financial statements of financial institutions in Europe. The review focused on the following areas:

- structure and content of the income statement;
- liquidity and funding risk;
- hedging and the use of derivatives;
- credit risk;
- forbearance practices;
- non-performing loans and country concentration risk; and
- criteria used to assess impairment of available-for-sale equity securities.

In November 2013, ESMA published its report that summarised the findings of the review and provided a set of recommendations for listed financial institutions to be considered when preparing the 2013 financial statements.

The report, entitled Review of Accounting Practices – Comparability of IFRS Financial Statements of Financial Institutions in Europe is available from the ESMA website, www.esma.europa.eu

3.4 EECS Agenda Group

IAASA's Head of Financial Reporting Supervision is a member of the EECS Agenda Group. Accordingly, IAASA has a direct input into the selection of emerging cases and decisions as tabled by EU national accounting enforcers for discussion at EECS plenary meetings.

In addition, the EECS Agenda Group examines enforcement decisions taken by EU national enforcers with a view to determining whether they meet the criteria for publication by ESMA.

3.5 Revision of Enforcement Standards Group

The Head of Financial Reporting Supervision is a member of the Revision of Enforcement Standards Group. This Group was set up by ESMA to develop the standards and the guidance on enforcement with a view to achieving further convergence in the enforcement of financial information in the EU. In this respect, ESMA published in July 2013 a consultation paper on proposed guidelines on the enforcement of financial information. These guidelines intend to provide for the principles to be followed along the enforcement process in Europe and to introduce more prominently the role that ESMA would play in this context. ESMA expects to finalise the guidelines in 2014. The report is available on the ESMA website.

4. Cooperating in the development of financial reporting standards

IAASA continues to act as an observer at Accounting Council meetings of the FRC ('the Accounting Council'). The FRC prepares the financial reporting standards known as UK or Irish Generally Accepted Accounting Principles ('GAAP') and these are used by the majority of Irish entities.

One of the principal reasons for IAASA having observer status at the Accounting Council in the first instance is to enable IAASA to discharge its statutory remit to cooperate with interested parties in the development of financial reporting standards. It is IAASA's view that observer status facilitates the identification at an early stage of issues that might be of particular interest or relevance in an Irish context.

IAASA attended 10 Accounting Council meetings in 2013 (2012: 11 meetings).

In March 2013, following a long period of development, the FRC issued a suite of three new financial reporting standards which comprise the revised accounting framework replacing existing GAAP for both UK and Irish entities, applicable from 2015. These Standards are:

- FRS 100 *Application of Financial Reporting Requirement;*
- FRS 101 *Reduced Disclosure Framework;* and
- FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This is a significant change which will have consequences for the majority of unlisted Irish entities, as well as certain listed entities.

In addition to contributing to Accounting Council discussions on these new standards, IAASA contributed to the drafting of the *Appendices on the Legal Requirements in the Republic of Ireland* which are included in each new accounting standard. The Appendices outline the provisions in the Companies Acts 1963 to 2013 and related regulations which correspond to the provisions of the UK legislation referenced in the new financial reporting standards. This was a significant piece of work which IAASA completed in cooperation with the ICAI.

5. Advocacy activities

5.1 Publications during the year

IAASA issued the following three publications during 2013, which are available on the publications page of the IAASA website:

- June 2013: Review of the application of accounting standard requirements in respect of the disclosure of KMP compensation by Irish equity issuers;
- October 2013: The 2013 Observations document; and
- October 2013: Commentary on the application of certain aspects of IAS 1 *Presentation of Financial Statements* by selected Irish equity issuers.

5.2 Stakeholder engagement, presentations and publications

In 2013, IAASA continued to have significant engagement with a number of stakeholders. These included the Central Bank, ISE, ODCE, the Department, ICAI, ESMA, FRC, the IFRS Interpretations Committee ('IFRS-IC'), other enforcers, An Garda Síochána, and fund & debt representative bodies.

In addition to these bilateral engagements, IAASA made presentations during 2013 to the:

- Irish Debt Securities Association on debt issuers fair value and risk disclosures;
- Audit Committee Institute on IAASA activities, our findings in 2013 and areas of focus in 2014;
- ESMA and EU accounting enforcers on our enforcement activity in relation to debt and fund issuers;
- EY annual financial reporting conferences; and
- Institute of Public Administration's annual seminar dealing with financial reporting, where the Head of Financial Reporting Supervision acted as a Panellist.

IAASA staff authored articles in professional publications during 2013 as follows:

a) *Key management personnel disclosures in Irish equity issuers' financial statements* by Michael Kavanagh and Eileen Townsend, *Accountancy Plus* (ICPAI), September 2013;

b) *Key management personnel compensation: a review* by Michael Kavanagh and Eileen Townsend, *Accounting & Business Ireland* (ACCA), September 2013;

c) *Accounting enforcement in Europe* by Michael Kavanagh, *Accountancy Ireland* (ICAI), February 2013; and

d) *Observations on Selected Financial Reporting Issues* by Michael Kavanagh, *Accountancy Ireland* (ICAI), February 2013.

6. Provision of accounting advice to the Department

During the year, IAASA provided comment to the Department regarding the content of a proposed Directive adopted by the EC to amend Council Directives 78/660/EEC and 83/349/EEC regarding the disclosure of non-financial and diversity information by certain large companies.

FINANCIAL & RELATED STATEMENTS

Report of the Directors

Introduction

The directors are pleased to submit to the eighth Annual General Meeting of the Irish Auditing and Accounting Supervisory Authority ('IAASA') the financial statements for the year ended 31 December 2013, 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 surplus for the year after transfers was nil [2012: nil].

Directors and Secretary

The Directors and Secretary of IAASA as at 31 December 2013 were:

Member	Nominating body	Commencement of term of office	Cessation of term of office
Professor Brendan Walsh (Chairperson)	Ministerial nominee	3 January 2013	
Ms. Helen Hall (Chief Executive)	*Ex-officio*	18 December 2012	
Ms. Deirdre Behan	Revenue Commissioners	3 January 2012	
Ms. Marie Daly	Irish Business & Employers' Confederation	3 January 2006	
Ms. Máiréad Devine	Central Bank of Ireland	3 January 2012	
Mr. Sean Hawkshaw	Irish Association of Investment Managers	3 January 2006	
Mr. Paddy Keating	Irish Congress of Trade Unions	3 January 2013	
Ms. Bernadette McGrory-Farrell	Prescribed Accountancy Bodies	3 January 2013	
Ms. Sylvia McNeece	Pensions Authority	3 January 2012	
Mr. David Martin	Prescribed Accountancy Bodies	30 May 2011	
Mr. Kevin O'Donovan	Prescribed Accountancy Bodies	30 May 2011	
Mr. Conor O'Mahony	Director of Corporate Enforcement	1 March 2012	
Ms. Muireann O'Neill	Ministerial nominee	1 September 2012	
Mr. Michael Quinlan	Law Society of Ireland	3 January 2011	
Mr. Gerard Scully	Irish Stock Exchange	11 July 2007	2 January 2014
Secretary	Mr. John G O'Malley, Head of Legal Services, IAASA	15 April 2008	

The following were not directors at the balance sheet date, having either ceased to hold office during the year or been appointed since 1 January 2014:

Member	Nominating body	Commencement of term of office	Cessation of term of office
Ms. Karen Erwin (former Chairperson)	Ministerial nominee	3 January 2006	2 January 2013
Mr. David Devlin	Prescribed Accountancy Bodies	30 May 2014	
Ms. Etain Doyle	Prescribed Accountancy Bodies	30 May 2014	
Mr. Tony Kelly	Prescribed Accountancy Bodies	3 January 2006	2 January 2013
Ms. Aileen O'Donoghue	Irish Stock Exchange	3 January 2014	
Mr. Joe O'Toole	Irish Congress of Trade Unions	3 January 2006	2 January 2013

Principal activities

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 IAASA as provided for by the Companies (Auditing and Accounting) Act, 2003 ('the Act'). It was subsequently designated for that purpose by the Minister for Trade & Commerce under section 5 of the Act.

Consistent with the model of supervised self-regulation provided for by the Act, IAASA is responsible for supervising the regulation, monitoring and disciplining by the Recognised Accountancy Bodies ('RABs') of their members and member firms.

Under the Transparency (Directive 2004/109/EC) Regulations 2007, IAASA has 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 entitles whose securities have been admitted to trading on a regulated market situated, or operating, within the EU and for taking appropriate enforcement action in cases of infringement.

IAASA has also been designated as competent authority pursuant to the European Union (Third Country Auditors and Audit Entities Equivalence, Transitional Period and Fees) Regulations 2012 ('Transitional Regulations'). Under the Transitional Regulations, auditors and audit entities from certain third countries (i.e. certain non-EEA member states) may continue to issue audit opinions that are valid under EU law for a transitional period, provided they first provide IAASA with certain specified information.

With the enactment of the European Communities (Statutory Audits) (Directive 2006/43/EC) Regulations 2010, IAASA has been designated the competent Authority with supervisory functions and has been conferred with substantial additional functions and responsibilities.

IAASA does not trade for the acquisition of gain by its members.

Risk and uncertainties

The directors confirm that, as required by the Code of Practice for the Governance of State Bodies, a Risk Management Policy and procedures have been developed for the purpose of facilitating the identification, quantification and management of the key business risks facing IAASA 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 of account are maintained in accordance with the requirements of section 202 of the Companies Act, 1990, IAASA has employed an appropriately qualified Head of Finance and provides sufficient resources to the finance function. The books of account are located at IAASA'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 would require disclosure in the financial statements.

Auditor

IAASA's auditor, the Comptroller & Auditor General, remains in office in accordance with the provisions of section 21(2) of the Act.

Approved and authorised for issue by the Board of Directors on 10 June 2014 and signed on its behalf:

Brendan Walsh
Chairperson

Helen Hall
Chief Executive

Statement on Internal Financial Control

Responsibility for system of internal financial control

On behalf of the Board of Directors of IAASA, 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 IAASA 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 IAASA;
- publishing Codes of Conduct for both directors and employees of IAASA; and
- seeking to maintain a strong culture of accountability across the organisation.

The Board adheres to all the requirements of the Code of Practice for the Governance of State Bodies ('the Code') insofar as is appropriate for a non-commercial semi-State body.

The Board has also established processes to identify and evaluate business risks by:

- identifying the nature, extent and possible implications of the risks facing IAASA, 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 IAASA, 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.

IAASA has appointed BDO to act as internal auditors and to report to the Audit Committee. The Audit Committee, which comprises of 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 an approved Internal Audit Charter, which is consistent with the provisions set out in the Code. 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 BDO. The internal auditor provides the Audit Committee with regular reports on assignments carried out. These reports 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 year ended 31 December 2013, 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 IAASA's executive which has responsibility for the development and maintenance of the financial control framework. In this regard, the report of the internal auditor concluded that a substantial level of assurance could be derived from both the design and the effectiveness of the Authority's system of internal financial control.

Signed on behalf of the Board:

Brendan Walsh
Chairperson
30 APRIL 2014

Statement of Directors' Responsibilities

IAASA 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 and the report of the directors 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 in accordance with Irish generally accepted accounting practices and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that IAASA 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 IAASA and to enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2013. The directors are also responsible for safeguarding the assets of IAASA and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Section 21(1) of the Act further provides that IAASA '*... 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 10 June 2014 and signed on its behalf:

Brendan Walsh
Chairperson

Helen Hall
Chief Executive

Comptroller and Auditor General Report for presentation to the Houses of the Oireachtas

Irish Auditing and Accounting Supervisory Authority

I have audited the financial statements of the Irish Auditing and Accounting Supervisory Authority for the year ended 31 December 2013 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 statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes. The financial statements have been prepared in the form prescribed under the Companies Acts 1963 to 2013, and in accordance with generally accepted accounting practice in Ireland.

Responsibilities of the directors

The directors are responsible for the preparation of the financial statements, for ensuring that they give a true and fair view of the state of the Authority's affairs and of its income and expenditure, and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the Authority's circumstances, and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

In addition, I read the Authority's annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

All of the Authority's financial transactions and balances were within the scope of my audit.

Opinion on the financial statements

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 Authority's affairs at 31 December 2013 and of its income and expenditure for 2013; and
- have been properly prepared in accordance with the Companies Acts 1963 to 2013.

Comptroller and Auditor General commentary

The Authority voluntarily adopted the UK Corporate Governance Code (UK Code) and the Irish Corporate Governance Annex to the UK code (Irish Annex) as promulgated by the Irish Stock Exchange.

Without modifying my opinion, I highlight the following matters that are, in my judgment, likely to be most important to stakeholders' understanding of my audit. My audit procedures relating to these matters were designed in the context of my audit of the financial statements as a whole, and not to express an opinion on individual account headings or disclosures.

Assessment of significant risks

In relation to the Authority, I did not identify any specific risks of material misstatement which had an impact on my audit strategy and scope.

Materiality

Materiality provides the benchmark for determining the tolerable level of misstatement in the financial statements and, in conjunction with audit risk assessment, determines the extent and direction of audit work.

Audit materiality is defined in value terms, although the nature and context of matters are also considered when determining whether an item is material.

I apply the concept of materiality both in planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements.

I determined the following materiality values

- income and expenditure account — €25,000 (1.25% of expenditure in 2013)
- balance sheet — €20,000 (2% of total assets at 31 December 2013)

Because special considerations apply to the administration of public money, any matters noted in the course of audit that are considered material by nature or context will also be publicly reported.

Matters on which I am required to report by the Companies Acts 1963 to 2013

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 Authority. The financial statements are in agreement with the books of account.

In my opinion, the information given in the directors' report is consistent with the financial statements.

Matters on which I report by exception

I report by exception if

- my audit noted any material instance where money has not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information given in the Authority's annual report is not consistent with the related financial statements, or
- the directors have not provided a statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for stakeholders to assess the Authority's performance, business model and strategy, or if the statement made is inconsistent with the knowledge acquired in the course of performing the audit, or
- the audit committee report does not address matters communicated by me to the audit committee, or
- the statement on internal financial control does not reflect the Authority's compliance with the Code of Practice for the Governance of State Bodies, or
- the statutory disclosures of directors' remuneration and of transactions with directors are not made, or
- I find there are other material matters relating to the manner in which public business has been conducted.

I have nothing to report in regard to those other matters upon which reporting is by exception.

Seamus McCarthy
Comptroller and Auditor General
19 JUNE 2014

Statement of Accounting Policies for the year ended 31 December 2013

The significant accounting policies adopted by IAASA are set out below.

1. Basis of Preparation

The financial statements are prepared in accordance with applicable legislation and with generally accepted accounting principles under the historical cost convention. The accounting policies applied in the preparation of these financial statements have been applied consistently during the current and prior years. Accounting Standards issued by the Financial Reporting Council 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. 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 ('the 1986 Act') as regards required formats for financial statements do not apply to the company. Nevertheless, IAASA's Balance Sheet is presented in accordance with Format 1 as set out in the Schedule to the 1986 Act and the Income & Expenditure Account is presented, to the extent practicable having regard to the non-commercial nature of IAASA's activities, in accordance with Format 1 as set out in the Schedule to the 1986 Act.

4. Recurrent Income

4.1. Excess Income

In accordance with section 16 of the Act, any excess of income over expenditure in any financial period shall be applied towards meeting IAASA's Programme of Expenditure in the following period and any amounts payable from the Exchequer and PABs respectively shall be appropriately reduced. Section 16 further provides that income set aside for Reserve Fund purposes is not considered to be income for this purpose. The treatment of income set aside for Reserve Fund purposes is detailed in accounting Policy 5.

4.2.Exchequer Grant Income

Section 14(1) of the Act provides that a grant not exceeding 40% of IAASA's approved Programme of Expenditure for the period shall, subject to any conditions thought proper by the Minister for Jobs, Enterprise & Innovation ('the Minister'), be paid to IAASA out of monies provided by the Oireachtas.

The Department of Jobs, Enterprise & Innovation ('the Department') – the Department through which IAASA receives the Exchequer element of its recurrent funding – has stipulated that the Exchequer grant that will be paid to IAASA in any given financial period will be such as to meet 40% of IAASA's expenditure in that period.

Accordingly, Exchequer grant income recognised in the Income & Expenditure Account represents the amount necessary to meet 40% of IAASA's net expenditure in the year. Any timing differences arising at the balance sheet date between 40% of IAASA's net expenditure in the period and amounts received from the Department are, therefore, reflected as a debtor or grant income carried forward to the following year in accordance with the provisions of section 16 of the Act, as appropriate.

4.3.Prescribed Accountancy Bodies' Levies

Sections 14(2) and (4) of the Act provide that, in any given year and with the consent of the Minister, IAASA may impose one or more levies on the PABs for the purpose of meeting up to 60% of IAASA's approved Programme of Expenditure. The aggregate of the PABs' 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 PABs are designed to meet 60% of IAASA's expenditure in the period, PAB levy income recognised in the Income & Expenditure Account represents the amount necessary to meet 60% of IAASA's net expenditure in the period. Accordingly, any differences arising at the balance

sheet date between 60% of IAASA's net expenditure in the period and the aggregate of levies received from the PABs are reflected as debtors or levy income carried forward to the following period in accordance with section 16 of the Act, as appropriate.

5. Reserve Fund Income

5.1. Reserve Fund – Purpose and method of funding

Section 15(1) of the Act provides that IAASA 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. The balance of the fund is laid out in Note 19.

5.2. Exchequer Grant Income – Reserve Fund

Exchequer Reserve Fund grant income, if arising, is accounted for in the financial statements on the date of approval by the Minister, or on such later date if appropriate in accordance with any payment stipulations set out by the Minister. No such income has been approved by the Minister since 2007.

5.3. PABs' Levies – Reserve Fund

The aggregate of the PABs' 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 PABs' Reserve Fund levies are accounted for in the financial statements on the date of approval by the Minister, or on such later date if appropriate in accordance with any payment stipulations set out by the Minister.

5.4. Income from Fines – Reserve Fund

Sections 23 and 24 of the Act provide that fines may be levied on PABs and members of PABs respectively in circumstances where adverse findings are made by IAASA following investigation under the relevant Regulations. Such income, where arising, is required to be credited to the Reserve Fund following approval by the High Court. Income from fines is accounted for on the date of said High Court approval.

6. Income relating to IAASA's role as a Competent Authority under the Transparency Directive Regulations

As is the case with IAASA's other sources of Exchequer income, the amount provided by the Exchequer is such as to meet the amount expended in the year, and, accordingly, the Exchequer grant income in this regard recognised in the Income & Expenditure Account represents an amount equivalent to said expenditure. Any timing differences arising at the balance sheet date between the expenditure in the period and amounts received from the Department are, therefore, reflected as a debtor or grant income carried forward to the following year in accordance with the provisions of section 16 of the Act, as appropriate.

7. Income relating to IAASA's role as a Competent Authority for the purpose of Registration of Third Country Audit Entities

In accordance with Departmental sanction, monies received from Third Country Audit Entity Registration may be retained and used towards the performance of IAASA's responsibilities in that regard to a maximum of €40,000. Any amounts in excess of this threshold are to be returned to the Department. Such income is accounted for in the financial statements by reference to the date of registration.

8. Bank interest

Bank interest receivable on non-Reserve Fund monies is included as recurrent income, and carried forward as described in Policy 4. Bank interest receivable on monies on deposit in the Reserve Fund (as detailed in Policy 5) is retained in the Reserve Fund. In both cases, bank interest is accounted for on a receivable basis.

9. Lease on IAASA premises

Rents due under the lease are paid to the lessor by the Office of Public Works ('OPW') and are recouped by the OPW from IAASA on a quarterly basis by agreement. Rents are charged to the Income & Expenditure Account in the year to which they relate.

10. Taxation

As detailed further in Note 15, IAASA is a non-commercial state-sponsored body for tax purposes and, accordingly, income and capital gains arising, if any, are not liable to income tax or capital gains tax respectively. IAASA is not, however, exempt from Deposit Interest Retention Tax ('DIRT').

11. Retirement Benefits

The arrangements that IAASA has in place with regard to employees' retirement benefits (incorporating all superannuation benefits due to employees, their spouses, civil partners and children) are described in Note 24. Defined benefit schemes have been approved by the Ministers for Jobs, Enterprise & Innovation and Public Expenditure & Reform respectively for employees of IAASA, and their spouses, civil partners and children. The schemes are based on the civil service 'model' schemes as described on the *www.cspensions.gov.ie* website.

In summary, the arrangements are:

i. IAASA employees' scheme contributions are paid to the Department;

ii. IAASA pays an employer contribution to the Department, the rate of which is set by the Minister for Public Expenditure & Reform. The rate is currently 25% [2012: 25%]; and

iii. in return for the payment to it of the employees' and employer's contributions, the Department has committed that any benefits due to IAASA employees, and/or their spouses, civil partners and children will be met in full by the Exchequer as they fall due.

In substance, the directors consider that the obligation to pay retirement benefit remains with IAASA, but that the Exchequer has committed to providing IAASA with sufficient funds to settle any such obligations on IAASA's behalf as they fall due, provided IAASA pays over employees' and the employer's contributions at rates specified by the Minister for Public Expenditure & Reform. Accordingly, the financial statements recognise both a Retirement Benefit Obligation and a Deferred Exchequer Retirement Benefit Funding receivable.

Scheme liabilities represented by the present value of future payments earned by IAASA staff to date are measured on an actuarial basis using the projected unit method. Pension costs reflect benefits earned by IAASA staff in the period and are shown net of employee pension contributions, which are retained by the Department. The amount to be included in the financial statements for the Deferred Exchequer Retirement Benefit Funding amount is estimated at an amount equal to the estimate of the obligation for the pension scheme liabilities.

Actuarial gains or losses arising from changes in actuarial assumptions and from experience surpluses and deficits are recognised in the Statement of Total Recognised Gains and Losses for the year in which they occur and a corresponding adjustment is recognised to the balance for Deferred Exchequer Retirement Benefit Funding.

Employer contributions, which are charged at a rate imposed by the Minister for Public Expenditure & Reform and retained by the Exchequer, are charged or credited to the Income & Expenditure account to the extent that they exceed or fall short of pension costs respectively as described above.

12. Tangible Fixed Assets

Tangible Fixed Assets are stated 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	33⅓%
Office Equipment	20%
Furniture & Fittings	12½%

13. Stocks

Stocks on hand at period end represent stocks of information technology consumables and office consumables and are stated at the lower of cost and net realisable value.

14. Capital Account

The Capital Account represents the unamortised value of income used for capital purposes (i.e. asset acquisitions).

Irish Auditing & Accounting Supervisory Authority

Income & Expenditure Account for the year ended 31 December, 2013

	Note	2013 €	2012 €
Income	3	1,955,267	2,014,121
Administrative Expenses			
Staff Costs	4	1,374,359	1,395,512
Directors' Fees	5	65,835	73,530
Accommodation	6	163,552	165,179
Travel & Subsistence	7	62,940	51,515
Legal and Professional Services	8	157,699	156,932
Office Expenditure	9	57,749	63,237
Information Technology	10	18,662	21,077
Professional Development	11	27,470	35,140
Insurance		24,074	25,837
Auditor's Remuneration	12	10,500	11,280
Depreciation		8,259	9,649
Total Administrative Expenses		1,971,099	2,008,888
(Shortfall)/Surplus of Income over Administrative Expenses		(15,832)	5,233
Interest Receivable	13	23,989	35,228
Surplus for the year before DIRT		8,157	40,461
DIRT	15	(8,235)	(10,631)
(Shortfall)/Surplus for the year after DIRT		**(78)**	**29,830**
Memorandum:			
(Shortfall)/Surplus for the year after DIRT		**(78)**	**29,830**
Transferred from/(to) Capital Account	19	7,617	(2,858)
Transferred (to) Reserve Fund	19	(7,539)	(26,972)
Surplus for the year after Transfers		**-**	**-**

The results for the year relate to continuing operations.

The Statement of Accounting Policies, Cash Flow Statement and Notes 1 to 28 form part of these financial statements.

Approved and authorised for issue by the Board of Directors on 10 June 2014 and signed on its behalf:

Brendan Walsh
Chairperson

Helen Hall
Chief Executive

Irish Auditing & Accounting Supervisory Authority

Statement of Total Recognised Gains and Losses for the year ended 31 December, 2013

	Note	2013 €	2012 €
(Shortfall)/Surplus for the year after DIRT		(78)	29,830
Experience gains on pension scheme liabilities	24	96,000	17,765
Changes in assumptions	24	93,000	(317,000)
Actuarial gain/(loss) on pension liabilities		-	-
Adjustment to deferred Exchequer pension funding	24	(189,000)	299,235
Total recognised (losses)/gains for the year		**(78)**	**29,830**

The results for the year relate to continuing operations.

The Statement of Accounting Policies, Cash Flow Statement and Notes 1 to 28 form part of these financial statements.

Approved and authorised for issue by the Board of Directors on 10 June 2014 and signed on its behalf:

Brendan Walsh
Chairperson

Helen Hall
Chief Executive

Irish Auditing & Accounting Supervisory Authority

Balance Sheet as at 31 December, 2013

	Note	2013 €	2012 €
Fixed Assets			
Tangible Fixed Assets	14	10,857	18,474
Current Assets			
Stock on Hand		3,535	2,035
Grant Income Due from Department	3.5	-	6,847
Debtors & Prepayments		20,761	16,162
Term Deposits	16	832,587	802,789
Bank & Cash	16	138,511	171,408
		995,394	999,241
Creditors: Amounts falling due within 1 year			
Creditors & Accruals	17	108,006	155,335
Deferred Rent Incentive	18	1,452	1,452
Excess PAB Levy Income	3.5	400,126	384,352
Excess Departmental Grant Income	3.5	21,621	-
		531,205	541,139
Net Current Assets		464,189	458,102
Amounts falling due after 1 year			
Deferred Rent Incentive	18	16,036	17,488
Net Assets before Retirement Benefits		**459,010**	**459,088**
Retirement Benefits			
Retirement Benefit Liability	24	(1,055,000)	(1,023,000)
Deferred Exchequer Retirement Benefit Funding	24	1,055,000	1,023,000
Net Assets after Retirement Benefits		**459,010**	**459,088**
Reserves			
Income & Expenditure Account	19	-	-
Capital Account	19	10,857	18,474
Reserve Fund	19	448,153	440,614
Members' Funds		**459,010**	**459,088**

The Statement of Accounting Policies, Cash Flow Statement and Notes 1 to 28 form part of these financial statements.

Approved and authorised for issue by the Board of Directors on 10 June 2014 and signed on its behalf:

Brendan Walsh
Chairperson

Helen Hall
Chief Executive

Irish Auditing & Accounting Supervisory Authority

Cash Flow Statement for the year ended 31 December, 2013

	Note	2013 €	2012 €
Net Cash (Outflow) from Operating Activities	20	(17,255)	(18,534)
Return on Investments & Servicing of Finance			
Interest Received		22,086	39,341
Taxation			
DIRT Paid		(7,288)	(11,802)
Capital Expenditure			
Payments to Acquire Tangible Fixed Assets		(642)	(12,778)
Proceeds on Disposal of Fixed Assets		-	271
Management of Liquid Resources			
Amounts Transferred from/(to) Fixed Term Deposits (Non-Reserve)			50,000
Amounts Transferred (to) Fixed Term Deposits (Reserve)		(15,000)	-
Interest Reinvested in Fixed Term Deposits (Net of DIRT)		(14,798)	(27,539)
(Decrease)/Increase in Cash in Year		**(32,897)**	**18,959**
Reconciliation of Net Cash Flow to Movements in Net Funds			
(Decrease)/Increase in Cash in Year		**(32,897)**	**18,959**
Increase/(Decrease) in Fixed Term Deposits		29,798	(22,461)
(Decrease) in Net Funds in Year	21	(3,099)	(3,502)
Net Funds at 1 January		974,197	977,699
Net Funds at 31 December		**971,098**	**974,197**

The Statement of Accounting Policies and Notes 1 to 28 form part of these financial statements.

Approved and authorised for issue by the Board of Directors on 10 June 2014 and signed on its behalf:

Brendan Walsh
Chairperson

Helen Hall
Chief Executive

Irish Auditing & Accounting Supervisory Authority

Notes to Financial Statements

Note 1 – Accounting period

Section 5 of the Act provides that the functions and powers of IAASA are performed and exercised respectively through a company limited by guarantee and designated by the Minister for that purpose. The company (Registered No. 412677) was incorporated on 20 December 2005.

The period covered by the financial statements is the year ended 31 December 2013.

Note 2 – Level of guarantee

The Memorandum of Association of IAASA states that every member undertakes to contribute to the assets of IAASA, in the event of IAASA being wound up, the sum of €1 (one euro).

Note 3 – Income

3.1 Approved Programme of Expenditure

IAASA's Programme of Expenditure for the year, as approved by the Minister under section 13(4) of the Act was €2,307,000 [2012: €2,367,000] as laid out below. In addition, Exchequer funding to a maximum of €383,000 [2012: €403,000] was made available during the year in respect of IAASA's functions under the Transparency Directive (see note 3.3.1).

	Exchequer (40%) €	**PABs (60%)** €	**Total** €
Recurrent Expenditure (as approved under S. 13(4) of the Act)	923,000	1,384,000	2,307,000
Reserve Fund	-	-	-
Sub-total	**923,000**	**1,384,000**	**2,307,000**
Approved allocation in respect of Transparency Directive	383,000	-	383,000
Total	**1,306,000**	**1,384,000**	**2,690,000**

3.2 Income (Accounting Policies 4 to 7 refer)	2013 €	2012 €
Recurrent Income under the Act		
Exchequer Grant Income	635,466	690,430
PABs' Levies	983,874	1,035,645
	1,619,340	1,726,075
Reserve Fund Income		
Amounts receivable in respect of fines (Section 23)	-	15,000
Income in respect of Transparency Directive Activity		
Exchequer Grant Income	273,477	265,102
PABs' Levies	-	-
	273,477	265,102
Income in respect of Third Country Audit Entity Registration		
Transitional registration fees received from Third Country Audit Entities	60,450	7,944
Miscellaneous Income		
ICAI contribution to legal costs	2,000	-
	1,955,267	**2,014,121**

3.3 Stipulations regarding the use of income

In accordance with section 14(3) of the Act, recurrent income received by IAASA 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 IAASA in performing its functions and exercising its powers under sections 24 and 26. IAASA did not have cause to call upon the monies set aside for Reserve Fund purposes during the year.

3.3.1 Transparency Directive

The EU Transparency Directive 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. IAASA has been designated by the Minister as a competent authority for the purposes of Article 24(4)(h) of the EU Transparency Directive. In accordance with Departmental sanction, monies received in respect of the Transparency Directive may only be used towards the performance of IAASA's responsibilities in that regard.

3.3.2 Third Country Audit Entity Registration

Third Country Auditor Registration may be effected under transitional arrangements or by full registration. In August 2012, IAASA was designated as a competent authority for the purposes of the European Union (Third Country Auditors and Audit Entities Equivalence, Transitional Period and Fees) Regulations 2012 ('Transitional Regulations'). Under the Transitional Regulations, auditors and audit entities from certain third countries (i.e., certain non-EU Member States) may continue to issue audit opinions that are valid under EU law for a transitional period (ending 30 July 2016) provided that they first provide IAASA with certain specified information and pay a statutorily determined fee of €2,000.

In the event that a third country auditor or audit entity cannot avail of the transitional regime as outlined above, then such entities must apply for full registration under the European Communities (Statutory Audits) (Directive 2006/43/EC) Regulations 2010. Statutory Instrument 67 of 2013 was signed into law on the 22 February 2013, under which the Minister specified the following fees to be charged annually:

- where the third country auditor or audit firm is not registered in a public register of a Member State as a statutory auditor, an annual registration assessment fee of €4,000; and
- (in all cases) a registration fee of €500.

In accordance with Departmental sanction, monies received in respect of the Third Country Audit Entity Registration may be retained and used towards the performance of IAASA's responsibilities in that regard to a maximum of €40,000. Monies received in excess of this amount are returned to the Exchequer.

3.4 Calculation of Net Expenditure	**2013** €	**2012** €
Gross Expenditure *per Income & Expenditure Account*	1,971,099	2,008,888
Add:		
Unamortised amount of income used for capital acquisitions	(7,617)	2,858
Incidental expenditure incurred on behalf of the Department	–	717
	1,963,482	2,012,463
Less:		
Miscellaneous Income	2,000	–
Non-reserve fund interest (net of DIRT)	8,215	12,625
Income from third country audit entity registration	60,450	7,944
Net Expenditure for the year	**1,892,817**	**1,991,894**
Net Expenditure related to Transparency Directive obligations	273,477	265,102
Net Expenditure incurred of behalf of the Department	–	717
Net Expenditure related to activities under the 2003 Act (Note 3.2)	1,619,340	1,726,075
	1,892,817	**1,991,894**
Net expenditure attributable to the Exchequer		
i. Transparency Directive (100%)	273,477	265,102
ii. Other expenditure incurred on behalf of the Department	–	717
iii. Excess income from Third Country Audit Entitles (*Note 3.3.2)*	(20,450)	–
iii. Obligations under the Act (40%)	655,916	690,430
Net expenditure attributable to the PABs	983,874	1,035,645
	1,892,817	**1,991,894**

3.5 Calculation of Grant Debtor / Levy Carry Forward	Exchequer €	PABs €	TOTAL €
Balance at 1 January, 2013	6,847	(384,352)	(377,505)
Attributable net expenditure *(Note 3.4 refers)*	908,943	983,874	1,892,817
Grants/Levies received in the year	(937,411)	(999,648)	(1,937,059)
(Levy Carry Forward) at 31 December, 2013	**(21,621)**	**(400,126)**	**(421,747)**

Note 4 – Staff Costs	2013 €	2012 €
Salaries	1,021,280	1,056,497
Employer PRSI Contributions	101,170	97,648
Employer Retirement Benefit Contributions *(Note 24)*	251,909	241,367
	1,374,359	**1,395,512**

The total amount deducted from staff members in respect of the Pension Related Deduction pursuant to the Financial Emergency Measures in the Public Interest Act, 2009, was €79,677 [2012: €83,421].

The average number of employees during the year was 13 [2012: 14]. IAASA's complement of full time staff at 31 December, 2013 was 13 [2012: 13].

Note 5 – Board Fees

Fees are payable to Board members at a rate specified from time to time by the Minister for Public Expenditure & Reform. In accordance with Department of Public Expenditure & Reform regulations and the Code of Practice for the Governance of State Bodies ('the Code'), fees are not payable to certain Board members who are also public servants.

	2013 €	2012 €
Professor Brendan Walsh	11,970	–
Karen Erwin	–	11,970
Marie Daly	7,695	7,695
Sean Hawkshaw	7,695	7,695
Tony Kelly	–	7,695
Bernadette McGrory-Farrell	7,695	–
David Martin	7,695	7,695
Kevin O'Donovan	7,695	7,695
Joe O'Toole	–	7,695
Michael Quinlan	7,695	7,695
Gerard Scully	7,695	7,695
	65,835	**73,530**

In addition, a total of €3,821 [2012: €884] was incurred by Board members during the year in furtherance of their duties. These amounts include both expenses paid directly to Board members and those incurred by IAASA on their behalf. The increase in this amount is largely due to the appointment by the Minister of Board members from outside Dublin, resulting in increased travel and related costs. Expenses paid to or incurred on behalf of the Chief Executive, who is also a Board member, totalled €11,328 [2012: €8,139], as detailed in Note 23(a).

Note 6 – Accommodation	**2013** €	**2012** €
Rent *(Note 18)*	117,711	117,711
Building Service Charges	17,453	17,602
Millennium Park Service Charges	8,204	8,170
Insurance	525	571
Rates	18,538	18,538
Other Room Hire	1,121	2,587
	163,552	**165,179**

Note 7 – Travel & Subsistence	**2013** €	**2012** €
Travel & Subsistence within Ireland	20,028	18,014
Travel & Subsistence outside Ireland	28,702	22,560
Airfares (net of EU refunds)	14,210	10,941
	62,940	**51,515**

Note 8 – Legal and Professional Services	**2013** €	**2012** €
Financial Statement Review (Transparency Directive)	70,433	62,195
Committees of Enquiry – Section 23	14,261	40,903
Legal Advice	35,303	37,691
Internal Audit & Actuarial Services	13,687	14,813
PAB review	18,942	-
HR/Medical & PR Services	5,073	1,330
	157,699	**156,932**

Note 9 – Office Expenses	2013 €	2012 €
Post & Telecommunications	12,356	11,965
Printing & Stationery	6,554	8,606
Office Supplies	2,797	3,695
Repairs & Maintenance	10,191	5,814
Advertising & Publicity	5,500	12,653
Periodicals & Newspapers	2,346	4,061
Cleaning & Hygiene Services	7,263	7,173
Light & Heat	9,146	8,325
Bank Charges	309	217
Sundries	1,287	689
Official Entertainment	-	39
	57,749	**63,237**

Note 10 – Information Technology	2013 €	2012 €
Software & Licences	7,153	3,685
Peripherals & Consumables	1,515	1,268
Maintenance Contracts	7,507	12,854
Internet Services	2,487	3,270
	18,662	**21,077**

Note 11 – Professional Development	2013 €	2012 €
Continuing Professional Development & Other Professional Training	5,733	4,708
Reference Materials & Subscriptions	3,838	6,012
Professional Membership Subscriptions – Individual	8,684	10,229
Professional Membership Subscriptions – Fora	9,215	14,191
	27,470	**35,140**

Note 12 – Auditor's Remuneration	2013 €	2012 €
Audit of company financial statements	10,500	11,280

The Comptroller & Auditor General does not provide non-audit services and no services other than statutory audit services were provided by the Comptroller & Auditor General during the year.

Note 13 – Analysis of Interest Receivable	Notice deposit Reserve €	Notice deposit Non-Reserve €	TOTAL €
Gross interest receivable	11,700	12,289	23,989
DIRT	(4,161)	(4,074)	(8,235)
Net interest receivable	**7,539**	**8,215**	**15,754**

Note 14 – Tangible Fixed Assets	IT Equipment €	Office Equipment €	Furniture & Fittings €	Total €
Cost				
At 1 January, 2013	38,751	7,290	11,817	57,858
Additions	642	-	-	642
Disposals	-	-	-	-
At 31 December, 2013	**39,393**	**7,290**	**11,817**	**58,500**
Accumulated Depreciation				
At 1 January, 2013	28,589	6,271	4,524	39,384
Charge for year	6,208	574	1,477	8,259
At 31 December, 2013	**34,797**	**6,845**	**6,001**	**47,643**
NET BOOK VALUE				
At 1 January, 2013	10,162	1,019	7,293	18,474
At 31 December, 2013	**4,596**	**445**	**5,816**	**10,857**

Note 15 – 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), IAASA is a non-commercial state-sponsored body for tax purposes and, accordingly, income arising is not liable to income tax. IAASA is not, however, exempt from 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 IAASA are not chargeable gains for the purposes of Capital Gains Tax.

Note 16 – Bank & Cash	**2013** €	**2012** €
Bank – notice deposit (Reserve)	444,455	422,988
Bank – notice deposit (Non-Reserve)	388,132	379,801
Bank – current	138,413	171,208
Cash on Hand	98	200
	971,098	**974,197**

€444,455 [2012: €437,988] of the funds held in the Authority's bank accounts at 31 December, 2013 relate to the Reserve Fund and can only be used for the purposes as set out in Note 4.3.

Note 17 – Creditors & Accruals	**2013** €	**2012** €
Pay and Pay-Related	13,069	17,431
Office of the Revenue Commissioners	7,642	11,859
Legal and Professional Services	44,493	71,847
Other	42,802	54,198
	108,006	**155,335**

Note 18 – Lease of Accommodation, Deferred Rent Incentive & Establishment Costs

Under the lease agreement, IAASA benefited from a rent free period at the commencement of the lease on its offices at Willow House, Millennium Park, Naas. In accordance with the provisions of UITF Abstract No. 28 'Operating Lease Incentives', the value of the incentive 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 PABs by the Minister with the consent of the Minister for Public Expenditure & Reform prior to IAASA's incorporation, the Exchequer funded IAASA's establishment costs in full. This expenditure was incurred by the Department.

As a consequence, in addition to tangible fixed assets acquired by IAASA subsequent to its incorporation, and to which IAASA has legal title, IAASA also has the use of certain assets that were acquired by the Department 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	**715,081**

The notional Net Book Value of these assets at the balance sheet date, had they been capitalised and depreciated in accordance with IAASA policies, would be nil [2012: nil].

Note 19 – Reserves and Reconciliation of Movement in Members' Funds	**Income & Expenditure Account** €	**Capital Account** €	**Reserve Fund** €	**Members' Funds** €
Balance – 1 January 2012	**-**	**15,616**	**413,642**	**429,258**
Surplus for the year after DIRT	29,830	-	-	29,830
Transfer from Income & Expenditure Account:				
Income applied to capitalised asset acquisitions	(12,507)	12,507	-	-
Less: Amortisation applied in line with asset depreciation	9,649	(9,649)	-	-
Income received on Reserve Fund monies (net of DIRT)	(11,972)	-	11,972	-
Amounts receivable in respect of fines (S. 23)	(15,000)	-	15,000	-
Actuarial loss on pension liabilities	(299,235)	-	-	(299,235)
Adjustment to deferred Exchequer pension funding	299,235	-	-	299,235
Balance – 31 December 2012 / 1 January 2013	**-**	**18,474**	**440,614**	**459,088**
Surplus for the year after DIRT	(78)	-	-	(78)
Transfer from Income & Expenditure Account:				
Income applied to capitalised asset acquisitions	(642)	642	-	-
Less: Amortisation applied in line with asset depreciation	8,259	(8,259)	-	-
Income received on Reserve Fund monies (net of DIRT)	(7,539)	-	7,539	-
Amounts receivable in respect of fines (S. 23)	-	-	-	-
Actuarial gain on pension liabilities	189,000	-	-	189,000
Adjustments to deferred Exchequer pension funding	(189,000)	-	-	(189,000)
Balance – 31 December 2013	**-**	**10,857**	**448,153**	**459,010**

Note 20 – Reconciliation of Surplus for the year to Net Cash from Operating Activities	2013 €	2012 €
Surplus for the year after DIRT	**(78)**	**29,830**
Non Operating Items:		
Less: Interest Received (Net of DIRT)	(14,798)	(27,539)
	(14,876)	**2,291**
Add:		
(Decrease)/Increase in Creditors & Accruals	(47,329)	37,589
Increase/(Decrease) in Excess PABs Levy Income	15,774	(41,509)
Increase/(Decrease) in Excess Departmental Grant Income	21,621	(24,123)
Decrease in Grant Income Due from Department	6,847	-
(Increase) in Debtors & Prepayments	(4,599)	(1,983)
(Increase)/Decrease in Stock	(1,500)	1,004
(Decrease) in Deferred Rent Incentive	(1,452)	(1,452)
Depreciation	8,259	9,649
	(2,379)	(20,825)
Net Cash (Outflow) from Operating Activities	**(17,255)**	**(18,534)**

Note 21 – Analysis of changes in net funds	Cash at Bank & on Hand €	Cash on Fixed Term Deposit (Non-Reserve) €	Cash on Fixed Term Deposit (Reserve) €	TOTAL €
Balance at 1 January, 2013	171,408	379,801	422,988	974,197
Cash flow for year	(32,897)	8,331	21,467	(3,099)
Balance at 31 December, 2013	**138,511**	**388,132**	**444,455**	**971,098**

Note 22 – Financial Commitments

22.1 Capital Commitments

There are no capital commitments as at 31 December, 2013.

22.2 Rental commitments

IAASA's premises are leased on behalf of the State by the OPW. IAASA in turn rents the premises from the OPW, but has provided no long-term undertakings in this regard. Given that IAASA is not a party to the lease, it 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 23 – Chief Executive's Salary

Ms. Helen Hall has been employed as Chief Executive since 18 December, 2012. Ms. Hall's remuneration for the year totalled €118,480 [2012: €4,694 (13 days)]. This is the amount approved by the Minister with the consent of the Minister for Public Expenditure & Reform, and was reduced during the year in accordance with public pay policy. The Chief Executive's Performance Related Bonus Scheme was not in operation in 2013, and Ms. Hall was not entitled to receive a Board fee. Ms. Hall is a member of IAASA's Employee and Spouses, Civil Partners & Children's superannuation schemes (as detailed in Note 24), and the relevant employer contribution in this regard was €26,025 [2012: €1,031 (13 days)]. The foregoing represents Ms. Hall's total remuneration package for the period.

Note 23a – Chief Executive's Expenses

The Chief Executive is an *ex-officio* director of the company. Expenses incurred directly by the Chief Executive in the performance of his/her duties and/or by IAASA on behalf of the Chief Executive are disclosed hereunder. The amounts shown in respect of 2012 expenditure include the expenses of both Ms. Hall and those of Mr. Ian Drennan, who served as Chief Executive to 30 August, 2012.

	2013 €	**2012** €
Professional memberships *(subject to BIK where applicable)*	565	1,680
Travel & Subsistence, incl. air fares	8,933	5,147
Mobile phone costs	850	795
Internet Services	868	517
Room hire & incidentals	112	-
	11,328	**8,139**

Note 24 – Retirement Benefits

24.1 Overview

Section 20 of the Act provides that IAASA may only establish a superannuation scheme with the approval of the Minister, given with the consent of the Minister for Public Expenditure & Reform ('the Ministers'). IAASA prepared and submitted proposals to the Ministers in respect of employees and employees' spouses, civil partners & children (based upon the civil service defined benefit 'Model Schemes'). The employees' scheme was approved by the Ministers on 29 November, 2010, and the employees' spouses', civil partners' & children's scheme was similarly approved on 5 December, 2012.

24.2 Position up to 28 November, 2010

As completion of the necessary reviews of proposals for superannuation schemes can be a lengthy process, IAASA agreed certain interim measures with the Department. In that context, the Department was granted approval by the Department of Public Expenditure & Reform to operate superannuation arrangements on IAASA's behalf on an administrative basis. These interim arrangements had the following characteristics:

(i) IAASA paid over employer and employee contributions to the Department;

(ii) the Department, on the direction of the Department of Finance, assumed responsibility for funding the future retirement benefit liabilities of IAASA as they arise on the basis that it (the Department) was receiving sufficient contributions from IAASA to cover these future liabilities; and

(iii) the Department of Public Expenditure & Reform has set a contribution rate of 25% [2012: 25%] of relevant salaries to achieve sufficient contributions to cover these future liabilities.

24.3 Position with effect from 29 November, 2010

Following the approval of the employee superannuation scheme, the Department continues to deduct and retain employee and employer contributions (as detailed above) at source and remit same to the Exchequer. In return for such payments, the Department has confirmed that the position as outlined above remains unchanged. The position also remains unchanged following the approval of the employees' spouses', civil partners' & children's scheme

24.4 Actuarial valuation

IAASA has 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 was based on the Projected Unit method, is premised on the following assumptions:

	At 31-12-2013	At 31-12-2012
Rate of increase in salaries	3.00%	3.00%
Rate of increase in pensions in payment	2.50%	2.50%
Discount rate	3.75%	3.50%
Inflation assumption	2.00%	2.00%
Life expectancy at age 70: male	18.4 years	18.4 years
Life expectancy at age 70: female	20.8 years	20.8 years

Based on the above, the present value of liabilities at the balance sheet date is €1,055,000 [2012: €1,023,000], and the service cost (calculated on the foregoing assumptions) for the year is €179,000 [2012: €120,300]. Certain of IAASA's staff, who have accumulated service elsewhere in the public service, have not to date exercised the option to transfer said service to IAASA.

24.5 Analysis of total pension costs charged to expenditure	2013 €	2012 €
Total employer contribution	251,909	241,367
*Current service cost	179,000	120,300
Interest cost	42,000	34,465
Adjustment to deferred Exchequer pension funding	(221,000)	(154,765)
Total charged to Income & Expenditure Account	**251,909**	**241,367**

*Employee contributions totalling €52,366 [2012: €49,276] have been included in the calculation of the current service cost.

24.6 Movement in net pension liability	**2013** €	**2012** €
Net Pension Liability at 1 January	**1,023,000**	**569,000**
Current Service Cost	179,000	120,300
Interest Cost	42,000	34,465
Experience (gains) on scheme liabilities	(96,000)	(17,765)
Changes in assumptions	(93,000)	317,000
Pensions paid in the year	-	-
Net Pension Liability at 31 December	**1,055,000**	**1,023,000**

24.7 History of scheme liabilities and experience (gains)/losses	**2013** €	**2012** €	**2011** €	**2010** €	**2009** €
Scheme liability	1,055,000	1,023,000	569,000	434,000	354,000
Experience (gains) on scheme liabilities	(96,000)	(17,765)	(4,930)	(50,200)	(3,700)
Changes in assumptions	(93,000)	317,000	-	-	29,300

Note 25 – Board Members – Disclosure of Transactions

In accordance with the Code of Practice for the Governance of State Bodies, IAASA has in place a Code of Business Conduct for Board members. The Code of Business Conduct includes 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. During the year under review, there were no financial transactions with directors other than the payment of Board fees and expenses detailed in Note 5. There were no occasions whereby a Board Member disclosed a financial interest during 2013.

Note 26 – Related Party Transactions

There were no related party transactions during the year [2012: NIL]. No amounts were outstanding at year end.

Note 27 – Transaction with other Government Sponsored Bodies

27.1 State and semi-state bodies

In common with many other entities, IAASA deals in the normal course of business with other government sponsored bodies including those listed below. No arrangements other than commercial day-to-day activities existed in the year or to date:

- An Post;
- Comptroller & Auditor General;
- Electric Ireland;
- Institute of Public Administration;
- Naas Town Council; and
- OPW.

27.2 Banks Owned or Controlled by the Irish State

In the normal course of business, IAASA transacts with Allied Irish Banks plc ('AIB'), which has become wholly controlled by the Irish government. AIB is IAASA's sole banker, and all of IAASA's transactions with AIB are on normal commercial terms. IAASA had no borrowings during the year or at the Balance Sheet date.

Note 28 – Approval of the Financial Statements

The Financial Statements were approved and authorised for issue by the Board of Directors on 10 June 2014.

APPENDICES

APPENDIX 1

Board Membership at Year End and changes in composition since last Annual Report

Composition of Board at 31 December 2013

Board member	Occupation	Nominating body	Date appointed
Brendan Walsh (Chairperson)	Professor Emeritus UCD	Minister	3 January 2013
Helen Hall*	Chief Executive	*Ex-officio*	18 December 2012
Deirdre Behan	Principal Officer, Revenue Commissioners	Revenue Commissioners	3 January 2012
Marie Daly	Head of Legal & Regulatory Affairs, IBEC	IBEC	3 January 2006
Máiréad Devine	Head of Governance, Accounting & Auditing Policy, Central Bank	Central Bank	3 January 2012
Seán Hawkshaw	Managing Director, Kleinwort Benson Investors	IAIM	3 January 2006
David Martin*	Company Director	PABs	30 May 2011
Bernadette McGrory-Farrell*	Partner, Farrell & Company	PABs	3 January 2013
Paddy Keating	Trade Unionist	ICTU	3 January 2013
Sylvia McNeece	Head of Legal and Corporate Services, Pensions Authority	Pensions Authority	3 January 2012
Kevin O'Donovan*	Principal, Global Quality and Risk management, KPMG,	PABs	30 May 2011
Conor O'Mahony	Principal Officer, ODCE	Director of Corporate Enforcement	1 March 2012
Muireann O'Neill*	Accountant	Minister	1 September 2012
Michael Quinlan	Principal, Dixon Quinlan, Solicitors	Law Society of Ireland	3 January 2011
Gerard Scully	Director of International Primary Markets, ISE	ISE	11 July 2007

** Denotes membership of a Prescribed Accountancy Body*

Details of appointments and reappointments to the Board during the year

Director	Date appointed	Nominating body	Reason for vacancy	Term
Brendan Walsh (Chairperson)	3 January 2013	Minister	Expiration of term of office of Karen Erwin	Four years
Bernadette McGrory-Farell*	3 January 2013	PABs	Expiration of term of office of Tony Kelly	Three years
Paddy Keating	3 January 2013	ICTU	Expiration of term of office of Joe O'Toole	Three years

Board appointments from 1 January to 30 April 2014

Director	Date appointed	Nominating body	Reason for vacancy	Term
Aileen O'Donoghue	3 January 2014	Irish Stock Exchange	Expiration of term of office of Gerard Scully	Three years

APPENDIX 2

Charter of the Audit Committee

Overall purposes/objectives

The Audit Committee is appointed by the Board to assist the Board in discharging its governance responsibilities. The Audit Committee shall oversee the financial reporting process to ensure the balance, transparency and integrity of financial information. The Audit Committee will also review:

a) the effectiveness of the Authority's internal financial control and risk management systems;

b) the effectiveness of the internal audit function; and

c) the relationship with external audit.

Reference to the "Authority" shall mean the Irish Auditing and Accounting Supervisory Authority. Reference to the "Committee" shall mean the Audit Committee.

1. Authority

The Committee is authorised to:

- perform activities within the scope of its Charter;
- engage, at the Authority's expense, independent counsel and other advisers as it deems necessary to carry out its duties;
- invite officers or employees of the Authority to meetings of the Committee as appropriate;
- have unrestricted access to members of management, employees and relevant information;
- establish procedures for dealing with concerns of employees regarding accounting, internal control or auditing matters;
- be directly responsible for the oversight of the work of the external auditor.[2]

2. Membership

2.1 Members of the Committee and the Chairperson of the Committee will be appointed by the Board.

2.2 The Committee will comprise at least three members.

2.3 The Chief Executive Officer of the Authority shall not be a member of the Committee.

2.4 Each member of the Committee shall be financially literate and shall have skills and experience appropriate to the Authority's business.

2.5 At least one of the members of the Committee shall have recent and relevant financial experience.

2.6 Members of the Committee are appointed for a three year term of office. In the event that a Member of the Committee who is also a Director of the Authority ceases to be a Director of the Authority during his or her term of office as a Member of the Committee, membership of the Committee shall be deemed to have also ceased.

2.7 In the absence of the Committee Chairperson the remaining members present shall elect one of themselves to chair the meeting.

3. Secretary

3.1 The secretary of the Committee will be the secretary to the Authority or such other person as nominated by the Board.

2 According to section 21 of the Companies (Auditing and Accounting) Act 2003, the external auditor of the Authority is the Comptroller and Auditor General.

4. Quorum

4.1 The quorum necessary for the transaction of business shall be two members.

4.2 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

5. Meetings

5.1 Only Committee members, persons invited by the Committee to attend and, subject to section 5.10 below, the Secretary are entitled to attend meetings of the Committee. The Committee may invite such other persons (including the Chairperson of the Board, the Chief Executive Officer, the Head of Finance & Administration, the internal auditor, etc.) to attend all or part of its meetings as it deems necessary.

5.2 The external auditors (i.e. representatives of the Office of the Comptroller & Auditor General) will be invited to attend meetings of the Committee on a regular basis.

5.3 The Committee should meet four times per annum and, in any event, shall meet at least three times. Where the Committee considers that three meetings in any given year is sufficient to enable it to discharge its functions, the Committee shall record the basis for its conclusions in that regard.

5.4 Special meetings may be convened as required. The secretary shall convene a meeting on receipt of a request by the external or internal auditors.

5.5 The secretary shall circulate the agenda and supporting documentation to the Committee members at a reasonable period in advance of each meeting.

5.6 The secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

5.7 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

5.8 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board.

5.9 The Chairperson of the Committee (or another member of the Committee) shall attend the Board meeting at which the financial statements are approved.

5.10 The Committee shall meet with the appropriate staff of the Office of the Comptroller & Auditor General at least once a year without management or employees of the Authority present.

5.11 The Chairperson of the Committee (or another member of the Committee) shall attend the Annual General Meeting prepared to respond to any questions on the Committee's activities.

6. Roles and Responsibilities

The Committee shall have the following roles and responsibilities:

6.1 Internal Controls and risk management systems

The Committee shall:

6.1.1 Evaluate whether management is setting the appropriate "control culture" by communicating the importance of internal control and management of risk.

6.1.2 Understand the internal controls systems implemented by management for the approval of transactions and the recording and processing of financial data.

6.1.3 Understand the controls and processes implemented by management to ensure that the financial statements derive from the underlying financial systems, comply with relevant standards and requirements and are subject to appropriate management review.

6.1.4 Evaluate the overall effectiveness of the internal control and risk management frameworks and consider whether recommendations made by the internal and external auditors have been implemented by management.

6.1.5 Consider how management is held to account for the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown or to protect against computer fraud or misuse.

6.1.6 Review, consider and recommend to the Board, the Register of Risks of the Authority as presented by management on a bi-annual basis.

6.1.7 Receive, review and discuss reports from the Heads of Functions in the Authority on a quarterly basis on matters arising from the activities of the Functions which, by reference to the Register of Risks of the Authority, may give rise to a material financial or reputational risk for the Authority.

6.1.8 Report to the Board on a periodic basis and/or as considered appropriate on matters arising from the review performed under 6.1.7.

6.1.9 Review and recommend to the Board the statements to be included in the annual report concerning internal controls and risk management.

6.2 Financial Reporting

The Committee shall:

6.2.1 Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on financial reports.

6.2.2 Oversee the periodic financial reporting process implemented by management and review the financial statements. The Committee shall also review any financial information contained in certain other documents.

6.2.3 Meet with management and external auditors to review the financial statements, the key accounting policies and judgements, and the results of the audit.

6.2.4 Ensure that significant adjustments, unadjusted differences, disagreements with management and critical accounting policies and practice are discussed with the external auditor.

6.2.5 Review the other sections of the annual report before its release and consider whether the information is understandable and consistent with members' knowledge about the Authority and the operations and lacks bias.

6.3 Whistleblowing

6.3.1 The Committee shall review the Authority's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters (including arrangements to allow proportionate and independent investigations of such matters).

6.4 Compliance with laws, regulations and the Code of Practice for the Governance of State Bodies

6.4.1 Review the effectiveness of the system for monitoring compliance with laws, regulations and Codes of Practice for the Governance of State Bodies and the results of management's investigation and follow-up of any fraudulent acts or non-compliance.

6.4.2 Obtain regular updates from management and the Authority's legal counsel regarding compliance matters that may have a material impact on the Authority's financial statements or compliance policies.

6.4.3 Consider and recommend to the Board, whether the Authority should adopt and report, on a voluntary basis, all or part of the Codes of Corporate Governance and related guidance, applicable from time to time, to companies with full listings on the Irish Stock Exchange.

6.4.4 Review and recommend to the Board any disclosures in the Annual Report in relation to Authority's compliance with the Code of Practice for the Governance of State Bodies and to the

extent relevant, any voluntary disclosures in the Annual Report under the Codes of Corporate Governance and related guidance, applicable from time to time to companies with full listings on the Irish Stock Exchange.

Working With Auditors

6.5 Internal Audit

The Committee shall:

6.5.1 Review and consider the proposal to appoint an internal auditor by management and recommend appointment to the Board.

6.5.2 Consider and recommend the remit of the internal audit function and ensure that it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.

6.5.3 Monitor and review the effectiveness of the internal audit function and ensure that it has appropriate standing within the Authority.

6.5.4 Review and assess the annual internal audit plan.

6.5.5 Review promptly all reports on the Authority from the internal auditor.

6.5.6 Ensure that significant findings and recommendations made by the internal auditor and management's proposed response are received, discussed and appropriately acted upon.

6.5.7 Meet the internal auditor at least once a year, without management being present, to discuss his or her remit and any issues arising from the internal audits carried out.

6.6 External Audit

The Committee shall:

6.6.1 Oversee the relationship with the external auditor (the Comptroller & Auditor General).

6.6.2 Review all significant reports received by the Board from the external auditors and management's responses thereto and to consider the implications of the issues raised.

6.6.3 Meet separately with the external auditors to discuss any matters that the Committee or the auditors believe should be discussed privately and to ensure that the auditors have access to the Chairperson of the Committee when required.

6.7 Reporting Responsibilities

The Committee shall:

6.7.1 Regularly update the Board about Committee activities and make appropriate recommendations.

6.7.2 Make any recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

6.7.3 Within three months following the end of each financial year, the Audit Committee shall formally report to the Board outlining its activities during the year together with such advice and recommendations as it may deem appropriate.

6.8 Other Matters

The Committee shall:

6.8.1 Review the Audit Committee Charter annually and discuss any required changes with the Board.

6.8.2 Be responsible for the coordination of the internal and external auditors.

6.8.3 Be independent in the performance of its functions and the Committee and its members shall not be subject to the direction of any person in the performance of their duties.

6.8.4 Exercise an advisory role in relation to its duties and functions within the Board.

APPENDIX 3

Outputs Compared to Plan

Strategic Goal 1:

To support and enhance public confidence in the accountancy profession through effective independent supervision and where appropriate, statutory enquiry and investigation.

Activity	Planned output for 2013	Actual output / commentary
Ongoing supervisory activities • Supervisory reviews of Prescribed Accountancy Bodies' ('PAB's). • Bilateral review meetings with PABs • Multilateral contact group meeting	• Two supervisory review visits • Nine review meetings • Annual contact group meeting	• Issued one full report and one follow-up report. At year end, drafting of reports in respect of two further visits and a follow-up visit were in progress; • Ten review meetings held; and • Annual contact group meeting deferred to first half of 2014
Granting approval to the PABs constitutions and other related instruments, including, for example, the Rules, Regulations and Standards applying to those bodies' members, and to all proposed amendments thereto.	• 15 approved constitutions and other related instruments	• 33 approvals granted; and • 13 instrument reviews initiated and in progress at year end
Under section 23 of the Act, the Authority is empowered to initiate statutory enquiries for the purpose of determining whether PABs have complied with their approved investigation and disciplinary procedures.	• Two completed preliminary enquiries and one completed full enquiry	• At the beginning of the year there were three enquiries (two at preliminary enquiry stage and one at full enquiry stage) in progress; • during the course of the year one preliminary enquiry was completed and referred to a full enquiry; and • at year end, there were three enquiries in progress (one at preliminary enquiry stage and two at full enquiry stage)
Complaints handling	Activity does not lend itself to predicting activity levels during the year in that it is not possible to predict how many complaints will be received from members of the public, nor the complexity or length of time to process.	Received a total of 18 complaints and also closed 15 complaints during the year under review. There were 16 complaints under active consideration at year end, three of which were in the S23 enquiry process
Processing of referrals and queries	Not possible to predict the queries and referrals output, but the output should be that 90% of referrals received are closed	• 14 referrals from ODCE, all of which were closed • 138 queries received, all of which were processed
Annual return processing	• Completed annual returns from PABs received and analysed • Completed *"Profile of the profession"* publication	• Annual returns of all nine PABs received and analysed; and • Published *"Profile of the Profession 2012"* in June 2013
Third country audit registration	• 15 registrations approved	• 4 full registrations approved and 14 full registrations renewed; and • 3 transitional registrations approved

Strategic Goal 2:

To support and enhance public confidence in financial reporting through the exercise of effective, independent supervision and, where appropriate, enforcement action.

Activity	Planned output for 2013	Actual output / commentary
Examining the compliance of issuers' periodic financial reporting with relevant reporting frameworks	• 8 full scope examinations • 8 focused examinations • 18 follow-up examinations • 25 overviews • 3 thematic examinations (IAS 24, IAS 19, IAS 1)	• 9 full scope examinations; • 12 focused examinations; • 11 follow-up examinations; • 25 overviews; and • 3 thematic examinations (IAS 24, IAS 19, IAS 1) Examinations undertaken resulted in: • 17 issuers providing undertakings in respect of future periodic financial reports; and • 1 issuer agreeing to amend its annual financial report and to publish a revised annual financial report.
Co-operation with EU counterparts	EECS participation	• Attended all 9 EECS plenary meetings • Submitted 5 decisions and 1 emerging issue to EECS database • Presented results of our examination of the quality of selected debt and fund issuers' fair value and risk disclosures to other EU accounting enforcers and ESMA staff • Head of Financial Reporting Supervision Unit continued as member of EECS Agenda Group and Revision of Enforcement Standards Group

Strategic Goal 3:

To support and enhance public confidence in the accountancy profession and in financial reporting through the promotion of adherence to high professional standards and the provision of high quality advice to the Minister.

Activity	Planned output for 2013	Actual output / commentary
Co-operation in the development of financial reporting standards	Fulfil observer role at Accounting Council of the Financial Reporting Council	• Attended all 10 Accounting Council meetings in 2013; and • Contributed to drafting of Irish legal references to FRS 100, 101 and 102 in co-operation with ICAI
Co-operation in the development of auditing standards	Fulfil observer role at the Auditing and Assurance Council of the Financial Reporting Council	• Attended nine out of ten Auditing and Assurance Council meetings in 2013; Contributed to the EAIG's response to the International Auditing and Assurance Standards Board's ('IAASB') invitations to comment on: • Reporting on Audited Financial Statements; • A Framework for Audit Quality; and • The auditor's responsibilities relating to other information in documents containing or accompanying audit financial statements and the auditor's report thereon.
Acting as specialist source of advice to the Minister on auditing and financial reporting matters	Continued provision of advice and comments to the Department	Provided observations and/or advice to the Department in respect of: • proposed amendments to EU Directive on disclosure of non-financial and diversity information by certain large entities; • the introduction of annual fees payable by third country audit firms, which was subsequently implemented through *SI 67 of 2013 – European Communities (Statutory Audits) (Directive 2006/43/EC) (Amendment) Regulations 2013;* • the European Commissions' proposals to reform the audit market. Additionally, IAASA provided staff resources to support the Department's chairing of the audit reform working group during the Irish Presidency of the EU Council from January to June 2013.
Publications, presentations and co-operation with other regulators	Publication on the results of thematic reviews and the annual '*Observations on Selected Financial Reporting Issues*' Co-operating with other domestic and international regulators	Activities undertaken: • 2 thematic review publications (IAS 1 thematic survey, IAS 24 thematic survey) • Annual *Observations* document • Publication of *"Profile of the Profession 2012"* • 5 presentations • 4 articles in professional press • Series of bi-lateral meetings with stakeholders (Central Bank, ISE, ODCE, the Department, ESMA, FRC, the IFRS-IC, other enforcers, An Garda Síochána, and fund & debt representative bodies); and • Attendance at meetings of IFIAR, EGAOB, EECS and EAIG

Strategic Goal 4:

To provide a consistent high standard of service to stakeholders.

Activity	Planned output for 2013	Actual output / commentary
Compliance with Company Law, including: • Convening of the AGM • Filing the CRO Annual Return • Maintenance of proper books and accounting records • Maintenance of statutory Registers	• AGM scheduled for 16 July 2013; • The CRO Annual Return to be filed within 28 days of 20 June 2013; • Proper books and accounting records to be maintained; • Appropriate CRO filings to take place in a timely manner; and • Appropriate maintenance of statutory Registers.	All outputs completed as planned.
Compliance with legislation other than company law, including: • Health and Safety Legislation • Employment and related legislation • Tax law • Ethics in Public Office Acts • Data Protection Law • EC (Late Payments in Commercial Transactions) Regulations 2002	• Review and amendment of IAASA's Safety Statement; • To maintain ongoing compliance with tax law; • To ensure compliance with SIPO legislation by notifying Directors and relevant employees of their legal obligations and maintenance of a record of interests; • Filing of the Annual Return to the Office of the DPC • Payments to debtors to be made in a timely fashion	All outputs completed as planned.
Compliance with the Code of Practice for the Governance of State Bodies ('the Code') insofar as same are relevant to a non-commercial semi-state body	To ensure compliance with the Code insofar as same are relevant to a non-commercial semi-state body.	IAASA's compliance with the Code is reflected fully in Chapter 1 of this Annual report.
Voluntary compliance with the UK Code on Corporate Governance ('the UK Code') and ISE Annex thereto	To ensure compliance with the UK Code provisions and ISE Annex thereto insofar as same are relevant to a non-commercial semi-state body and where appropriate, report by exception in the Annual Report	IAASA's compliance with the Code is reflected fully in Chapter 1 and Appendix 4 of this Annual report.

Strategic Goal 4:

To provide a consistent high standard of service to stakeholders.

Activity	Planned output for 2013	Actual output / commentary
Provision of high quality services to internal and external stakeholders	• implementation of processes and procedures to respond to queries from members of the public; • maintenance of an up-to-date website • engaging with the PABs bilaterally on a regular and ongoing basis, and by 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; and • providing material for inclusion in responses to be provided to Dáil Éireann by the Minister in the context of parliamentary questions ('PQs') relating not only to the Minister's Department but also to Offices and/or Agencies coming within that Department's aegis; and • ensuring that ongoing training and development is provided to staff members both in the context of their respective professional body continuing professional development requirements and in areas of relevance to the administration and management of the Authority.	All outputs completed as planned.

APPENDIX 4

Commentary on Certain Aspects of the UK Code and Irish Annex

Provision(s) of the Code	Explanation
Executive directors' remuneration / Remuneration Committee / Performance related remuneration.	By virtue of being a matter for the Minister and the Minister for Public Expenditure & Reform respectively, executive directors' remuneration is outside the control of the Board. The Authority is not permitted to operate performance related remuneration schemes.
Non-executive director remuneration	The Minister for Public Expenditure & Reform sets the level of remuneration for non-executive directors.
Election / Appointment of Directors/ Board size & structure / Nomination Committee / Directors' skills and expertise / Board renewal	The Board size, structure and appointments process is prescribed under the Act and is therefore outside the control of the Board. Directors, with the exception of the Chief Executive and direct Ministerial appointees, are appointed by the Minister upon the nomination of statutorily prescribed nominating bodies. The appointment of the Chief Executive is made by the Board, subject to terms and conditions approved by the Minister with the consent of the Minister for Public Expenditure & Reform .
Directors' terms of office / re-election	The Minister decides the terms of office of the non-executive Directors. The term is set out in the Act to be not less than three or more than five years. Pursuant to the Act, there is no restriction on reappointment.
Appointment of a Deputy Chairperson and / or Senior Independent Director	To date, the Authority has determined that it is not appropriate to appoint a Senior Independent Director or a Deputy Chairperson. The matter is reconsidered by the Board periodically.
Chairperson / Board interaction with shareholders/ Chairperson job-specification	As a company limited by guarantee, the Authority does not have shareholders. The Authority Chairperson is appointed by the Minister.
Appointment and reappointment of the statutory auditor	The Act provides that the Authority's auditor shall be the C&AG. Accordingly, this is a matter that is outside the Board's control.
Non-executive directors meeting in absence of Chairperson to appraise Chairperson's performance	In the early part of the year, the Chairperson was newly appointed. Accordingly, an appraisal of the Chairperson's performance would not have been appropriate.
Evaluation of Board members' performance/Objective and scope of same	Subject to the availability of resources, the Board performs periodic internal and external assessments of the performance of the Board as a collective body. At the time of publication, the Board is undergoing a Corporate Governance Review by the Authority's internal auditors as commissioned by the Board.
Board members' training and development needs	Periodic and ongoing training for directors occurs as part of the director's induction and on a yearly basis at the Board's annual strategic planning and training day. It has not been considered necessary to date for the Chairperson to meet with each director to assess, review and agree their individual training and development needs.
Executive director & non-executive directorships of FTSE 100 Company	The Chief Executive is the sole executive director on the Board and has no FTSE 100 directorships.
Evaluation of Boards of FTSE 350 Companies	The Authority is not a FTSE 350 company.
Generation/preservation of value	The Authority does not trade for the acquisition of gain.

APPENDICES

Provision(s) of the Code	Explanation
Audit Committee and recommendation of the external auditor/effectiveness of external audit process/ appointment & reappointment of external auditor /external auditor tenure/Non-audit services	The C&AG is, in accordance with the Act, the Authority's statutory auditor. The C&AG does not provide non-audit services to IAASA. The Authority does not appoint/re-appoint its auditor. Accordingly, it is not considered appropriate to furnish an explanation on the Audit Committee's assessment of the external audit process or otherwise.
Disclosure of proxies	Owing to the confidentiality provisions of section 31 of the Act, the Authority it prohibited from disclosing such information.

GLOSSARY OF TERMS

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AAC	Audit and Assurance Council of the FRC
ACCA	Association of Chartered Certified Accountants
Accounting Council	Accounting Council of the FRC
Act, the	Companies (Auditing and Accounting) Act, 2003
AIA	Association of International Accountants
APM(s)	Alternative performance measure(s) (also known as key performance indicator(s))
Authority, the	Irish Auditing and Accounting Supervisory Authority
C&AG	Comptroller and Auditor General
Central Bank	Central Bank of Ireland
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
CRO	Companies Registration Office
Department	The Department of Jobs, Enterprise and Innovation
DPER	Department of Public Expenditure & Reform
EAIG	European Audit Inspection Group
EC	European Commission
EEA	European Economic Area
EECS	European Enforcers' Co-ordination Sessions
EGAOB	European Group of Auditors' Oversight Bodies
ESMA	European Securities and Markets Authority
EU	European Union
FRC	Financial Reporting Council
FRS	Financial Reporting Standard
GAAP	Generally Accepted Accounting Principles
IAA	Individually Authorised Auditor
IAASA	Irish Auditing and Accounting Supervisory Authority
IAASA website	www.iaasa.ie
IAASB	International Auditing and Assurance Standards Board
IAS	International Accounting Standard(s)
IAS 1	IAS 1 *Presentation of Financial Statements*
IAS 19	IAS 19 *Employee Beneifts*
IAS 24	IAS 24 *Related Party Disclosures*

IAS 34	IAS 34 *Interim Financial Reporting*
IAS 36	IAS 36 *Impairment of Assets*
IAS 37	IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*
IASB	International Accounting Standards Board
IBEC	Irish Business and Employers' Confederation
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
IFRS	International Financial Reporting Standards
IFRS-IC	IFRS Interpretations Committee
IFSC	International Financial Services Centre
IIPA	Institute of Incorporated Public Accountants
Irish Annex	Irish Corporate Governance Annex as promulgated by the Irish Stock Exchange
ISAs	International Standards on Auditing
ISE	Irish Stock Exchange
Issuer	An entity coming within the Authority's remit under the Transparency Regulations
KMP	Key Management Personnel
Minister, the	Minister for Jobs, Enterprise & Innovation
MoU	Memorandum of Understanding
ODCE	Office of the Director of Corporate Enforcement
PAB	Prescribed Accountancy Body
PCAOB	Public Company Accounting Oversight Board (US)
PECs	Preliminary Enquiry Committees (Section 23)
Periodic Financial Reports	Refers collectively to annual and half-yearly financial reports published pursuant to the Transparency Regulations
PIEs	Public Interest Entities
QQI	Quality and Qualifications Ireland
RAB	Recognised Accountancy Body
Relevant reporting framework	The body of financial reporting standards, legislation, codes and rules with which issuers are required to comply in preparing the annual and half-yearly financial reports
S.I.	Statutory Instrument
Statutory Audit Directive	Directive 2006/43/EC

GLOSSARY OF TERMS

Statutory Audit Directive Regulations	European Communities (Statutory Audits) (Directive 2006/43/EC) Regulations 2010 (S.I. No. 220 of 2010)
Third country	Non-EU
Transitional Regulations	European Communities (Transitional Period Measures in Respect of Third Country Auditors) Regulations 2009 (S.I. No. 229 of 2009)
Transparency Directive	Directive 2004/109/EC
Transparency Regulations	Transparency (Directive 2004/109/EC) Regulations,2007
Transparency Rules	Transparency Rules issued by the Central Bank of Ireland (November 2012)
UK Code	UK Code on Corporate Governance
1990 Act, the	Companies Act, 1990
2013 Regulations, the	European Communities (Statutory Audits) (Directive 2006/43/EC) (Amendment) (No. 2) Regulations 2013

www.iaasa.ie

IAASA
Irish Auditing & Accounting
Supervisory Authority

Willow House, Millennium Park, Naas, Co Kildare, Ireland

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