

Good afternoon, and thank you for the invitation to speak at and contribute to what is a crucially important event in determining how CARB and Chartered Accountants Ireland will oversee the regulatory and disciplinary processes of the Institute in the future.

You don't need me to tell you the central role that CAI plays in the Irish accountancy profession. Over half of all of the practicing accountants in the country are members, and almost half of all of the auditing firms, including all significant Public Interest Entity Auditors.

As such IAASA has a process of regular engagement with CAI, at various levels but primarily with CARB and Professional Standards.

Currently, our plans for 2018 are only in outline but the historic pattern of quarterly meetings allied to themed inspections will continue.

My Chair and I welcomed the opportunity we had earlier this year to meet with a delegation from the CARB Board and the Director of Professional Standards, as well as to address Council of CAI. We hope that these meetings form the basis of a constructive and positive working relationship going forward. Following on from these, I would envisage that further meetings encompassing direct dialogue should take place, especially in light of the revised Terms of Reference for CARB and the Institute which allocate responsibility for overall regulatory strategy to Council. Whether these meetings should be with the Oversight Board or some other subset of Council who nevertheless can represent the Institute we are happy to engage on. Equally, I believe it will also be necessary to engage with the Regulatory Policy Board on matters relating to policy in this area, and indeed I note in the RPB's own Terms of Reference they include the function of liaising with regulatory authorities, and we look forward to that. All of this will of course be in addition to meeting the Board of CARB in the context of their oversight remit, all in addition to the

regular engagement with Institute Staff reporting to the Director of Professional Standards as already noted.

In outlining our plans for next year, I cannot but make reference to the Statutory Audits Bill, shortly to be published. As those present will be aware, this Bill underscores the position of IAASA as the single competent authority for auditor oversight, in accordance with the EU Audit Reform Directive. Certain functions will be specifically restricted to IAASA, including the inspection of Public Interest Entity audits, setting auditing standards, and the conduct of certain PIE related investigations. The Recognised Accountancy Bodies under the Bill when enacted, will be recognised for the purposes of carrying out certain tasks, but subject to oversight by IAASA. These include approvals, continuing education, the maintenance of the public register, quality assurance, and investigation and discipline.

On an ongoing basis bodies will need to demonstrate for example the capacity to enforce standards, financial soundness and the effective performance of tasks.

Work and consultation continues on this significant project, and no doubt will consume a significant amount of your and our time over the period ahead.

Turning to investigations in particular, IAASA will have enhanced powers, an enhanced role, and enhanced resources to carry out certain investigations. Investigations reserved to the Authority include those arising from the QA of PIE auditors, and those referred to us by another Authority. In addition we will have the power to take on investigations that meet our public interest criteria. Where we set that bar is something that will be a matter for my Board in the months ahead, but regardless of where it is set, CAI will still retain significant responsibility, not just for the vast majority of I&D matters that will relate to ordinary members in unexceptional circumstances, but also its share of potentially large, complex and fraught investigations that are an inevitable feature of any disciplinary process. In its engagement with CAI, IAASA will expect that CAI will

retain, and where necessary augment its systems, processes and skillsets to ensure that it has the capacity to carry out its remit. This may include ensuring that external expertise is readily available where required, and is something that we are interested to hear CAI's views on. In the light of this particular event, we believe CARB has a significant role to play in overseeing how the regulatory and disciplinary functions operate. The questions we would pose to CARB would include: what management information systems do you possess; are they fit for purpose; what are your KPI's to underpin the integrity of the system and are they aligned to the objectives of the regulatory process; what particular policies at a case level, for example relating to case deferral, are appropriate, and who should draft them; what are the key risks, and how should they be mitigated; and ultimately what does success look like?

In considering risks, and I appreciate that this is a matter ultimately reserved for Council, It is critically important that the right risks are recognised, and addressed. For example, are the risks in relation to

regulation related to IAASA, and the reputational and financial damage that might ensue should a case be subject to review? This risk is easily mitigated by just not investigating any difficult cases. Or are the risks in fact the damage that could be done to the reputation of the profession by negligence or unprofessional conduct on behalf of its members, which can only be mitigated by a robust, efficient and properly funded regulatory regime. It is the Authority's view that the latter is the correct viewpoint, and we will watch with interest how CARB, the Audit and Risk Committee and Council work together in this new structure to address these risks.

While QA and investigation and discipline understandably make up a significant element of the regulatory focus, I would also urge CARB, under its remit, not to neglect its other regulatory responsibilities. As already noted, approvals, CPD and the public register are also regulatory obligations of a RAB, and I would ask the Board of CARB to reflect on the extent to which their strategy will encompass these other elements of its overall remit.

I would also set the challenge for CAI to act as one entity in addressing issues that emanate from its regulatory oversight activities. There are surely many instances where the outcome of a complaint case would be a relevant input into the QA team's visit selection process or some other element of CAI's structure. Whether this is achieved through technology or through more old-school processes is again a matter that we would welcome CAI's views on.

There are of course a multitude of other matters that CARB may wish to address, but which nevertheless need consideration. For example, Brexit has the potential to significantly impact on how CAI as an all island body can have access to and regulate members, including the data access challenges that will apply in such circumstances. In setting its strategy, CARB should be clear as to what it intends to oversee but equally CAI needs to ensure that with the new overall structure nothing slips between the cracks.

In conclusion I would reiterate the central position of CAI in the profession in Ireland. As the largest body, as a Recognised Accountancy Body, as an all island body, you have a special and unique role. CARB, in its new role, has a special responsibility to ensure that the highest standards of professional probity apply to its members and importantly, that there is robust and timely monitoring and enforcement of those high standards. Equally, CAI needs to ensure that priority is afforded to its enhanced regulatory responsibilities as well as to its ongoing membership support activities. I look forward to the rest of the day's activity and discussion, and IAASA will continue to seek to work with CARB and CAI to fulfil our mission of ensuring a strong regulatory environment in which to do business.

Thank you very much