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Financial reporting enforcement –  
Ireland and the EU

Grant Thornton  
IFRS Interpretations Group  
October 2014

Michael Kavanagh

The footer contains the IAASA logo on the left and the text 'Irish Auditing & Accounting Supervisory Authority' on the right, both in white against a dark blue background.

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Presentation overview

- Overview of IAASA's financial reporting supervision functions
- IAASA involvement in European and international developments
- Some issues arising during 2014 reviews
- Looking forward to 2015

The footer contains the IAASA logo on the left, the number '3' in the center, and the text 'Irish Auditing & Accounting Supervisory Authority' on the right, all in white against a dark blue background.

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## Disclaimer and confidentiality

### Disclaimer

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

### Section 31

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

Certain exemptions are provided for in law



4

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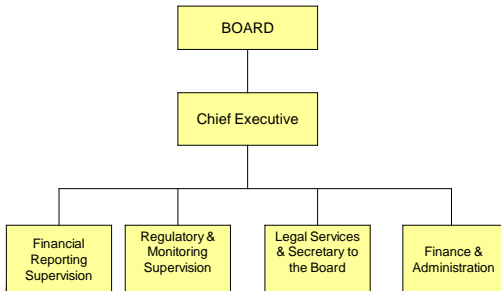
## IAASA's Financial Reporting Supervision Unit



5

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## IAASA - Organisation Structure



6

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## Principal Functions of IAASA's Financial Reporting Supervision Unit

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



7

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## IAASA's accounting enforcement function

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



8

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## Review constituency as at 31 December 2013

Category	Number of issuers in category	Half-yearly financial reports issued per annum	Annual financial reports issued per annum	Total no. of periodic financial reports per annum
Equity	25	25	25*	50
Funds	28	28	28*	56
Debt*	91	50	91*	141
<b>Total</b>	<b>144</b>	<b>103</b>	<b>144</b>	<b>247</b>

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



9

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## Categories of examinations

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

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## Examinations undertaken in 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	27
IAS 36	5	-	-	5	10
IAS 37	5	-	-	5	-

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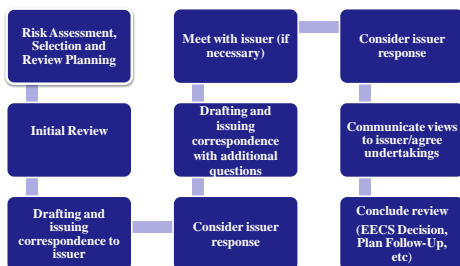
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## What a typical full scope review entails




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## Accounting enforcement in an EU context



13

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### Accounting enforcement in an EU context

- Transparency Directive requires every Member State to establish an accounting enforcer  
"Each competent authority shall have all the powers necessary for the performance of its functions. It shall at least be empowered to:  
... examine that information referred to in this Directive is drawn up in accordance with the relevant reporting framework and take appropriate measures in case of discovered infringements".
- Over 6,000 listed companies have been identified by EU enforcers as IFRS users and are under the supervision of accounting enforcers



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### ESMA and European enforcement coordination

#### EECS

- a forum of 38 members from 29 countries in which national enforcers exchange views and experience relating to enforcement of IFRS
- direct supervision of financial statements is carried out at national level, as required by the Transparency Directive
- ESMA mandatory Guidelines on enforcement under revision.

#### Objectives of EECS

- to promote consistency amongst enforcers in decisions taken when reviewing IFRS financial statements
- to contribute to the harmonization of the application of IFRS in EEA



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## ESMA and European enforcement coordination

### EECS main activities

- EECS provides a tool to foster ex-ante and ex-post coordination on enforcement decisions
- Analysis and discussion of individual IFRS decisions and emerging issues brought by NCA
- Identification of issues which are not covered by IFRS or which may be affected by conflicting interpretations for referral to the IASB and IFRS IC
- Identification of common enforcement priorities in Europe
- Exchange of views and experiences on methods for supervising the financial information of companies offering publicly securities and/or having these securities listed on an EEA regulated market



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## ESMA and European enforcement coordination

### EECS main activity (cont.)

- EECS meeting are held 8 times a year since 2005
- EECS has 2 meetings a year with representatives of the IFRS IC
- Enforcement decisions are entered into a European database, which is available for consultation by NCA. Decisions are discussed in the EECS meetings.

### Temporary working groups on

- Review of accounting practices (sovereign bonds, financial institutions, IAS 36 implementation etc)
- Guidelines on enforcement,
- Guidelines on APMs
- Materiality



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## IAASA involvement at EECS

- Active contributors at EECS meetings
- Submission of many decisions to the EECS enforcement decision database
- ESMA publication of decisions from the database
- IAASA involvement in EECS/ESMA working groups
  - Chairing Materiality Group
  - Agenda Group
  - Actions Group
  - Enforcement Standards Revision Group



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## IAASA interactions with IASB

- Accounting for uncertain tax positions
- Current/non-current classification of liabilities – IAS 1.69(d) – “*unconditional right*”
- IFRS 8 amendment – aggregation criteria
- Deferred tax assets – forecast period
- Classification of puttable instruments – liability v. equity
- Income Statement presentation



19

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## Some issues arising during 2014 reviews



20

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## Some trends based on 2014 examinations – equity issuers

- Every case is different but some common trends ...
  - IS presentation
  - current –v- non-current classification
  - APMs
  - deferred taxation – recognition of DTAs
  - recognition and measurement of UTPs
  - impairment assumptions – VIU calculations and disaggregation of disclosures
  - Banks – forbearance measures, DTAs, measurement of impairment provisions (CBI / EBA)
- Thematics for 2014
  - IAS 1 (IS format, exceptional items ‘operating profit’)
  - IAS 7 – presentation of CFS
  - Updated Alternative Performance Measures (‘APMs’ / ‘KPIs’)



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## Some trends based on 2014 examinations– Debt/Fund issuers

- Still many issues with some issuers
- No evidence of any “cross over” lessons learned
- Preparation, re-auditing and re-publication of Debt issuer’s annual financial report
- Engagement with industry associations



22

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## Looking forward to 2015



23

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## Looking to 2015 – IAASA priorities

- Recoverable amounts of CGUs – VIU & assumptions
- Deferred tax assets – forecast period
- UTPs – recognition, measurement and disclosures incl. accounting policy
- APMs – IAASA recommendations
- IFRS 10 *et seq* – Control
- IAS 1



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## Looking to 2015 – IAASA priorities (cont.)

- IAS 7 – thematic follow-up
- Impairments and forbearance and disclosures
- IFRS 8 amendments
- Review of actions taken



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## IAASA publications

**Observations** documents – 2013, 2012, 2011, 2010, 2009, 2008 and 2014 imminent

**Information Notes:**

- Disclosure requirements of the Takeover Bids Directive
- Financial reporting considerations relevant to the making of distributions

**Thematics:**

- Application of IAS 7 by Irish equity issuers
- Application of IAS 1 by Irish equity issuers
- Disclosure of key management personnel compensation by Irish equity issuers
- Alternative Performance Measures (2012)
- The quality of selected debt and fund issuers' fair value and risk disclosures
- Half-yearly financial reports

**Guide** – Financial reporting requirements of the EU Transparency Directive

**Annual Reports** – 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006



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## Questions?



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## Contacts & Further Information

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