



**Irish Auditing & Accounting Supervisory Authority**

# Financial reporting enforcement function of IAASA

RTE investigative journalism training  
programme

May 2015

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<http://www.rte.ie/news/2010/0624/132608-banks1/#>

# Disclaimer and confidentiality

## **Existing Section 31 legislation**

*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...*

## **Recent changes to the confidentiality regime for accounting enforcement function of IAASA.**

### **Disclaimer**

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

# Presentation overview

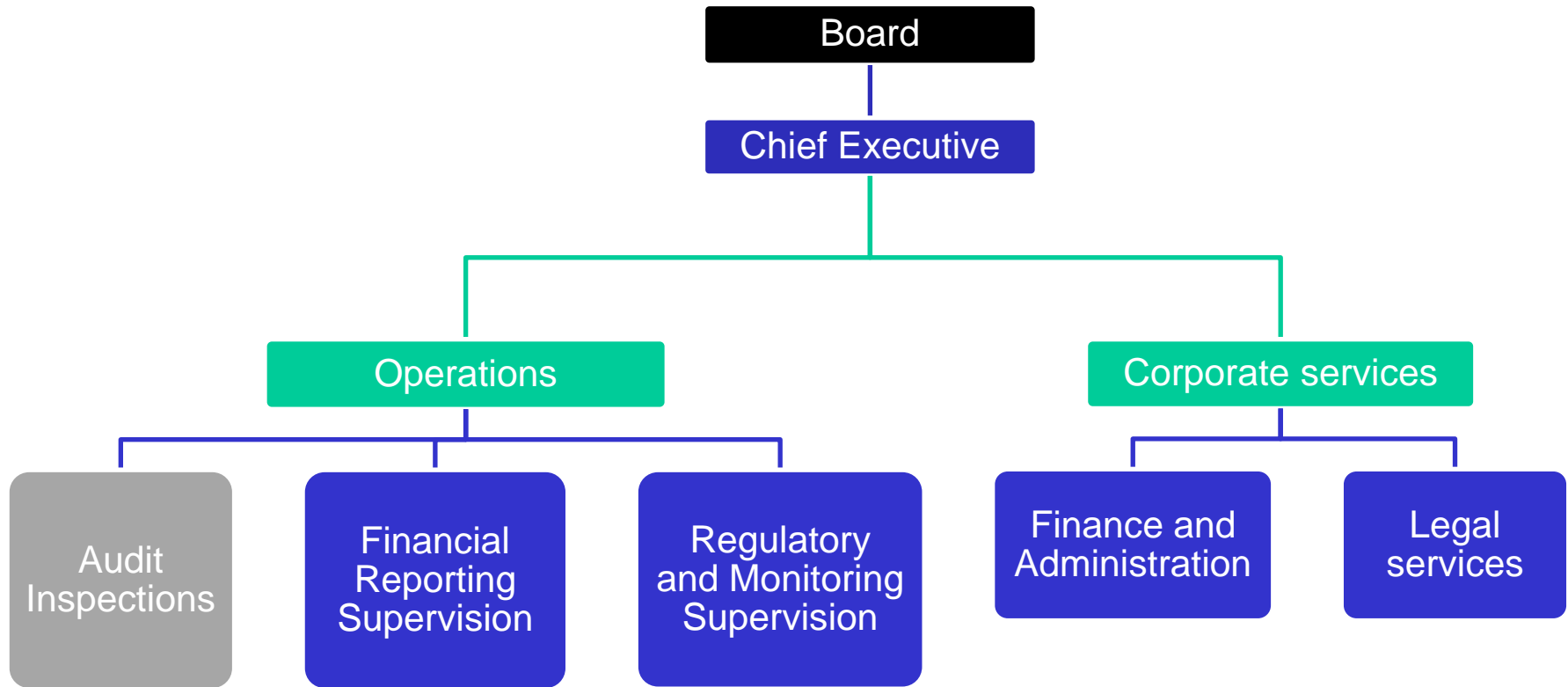
- Overview of IAASA
- Principal Functions of IAASA's FRSU
- Some issues arising during 2014 examinations
- Accounting enforcement - the European and international context

# Overview of IAASA

# Overview of IAASA

- A brief history
- Goals of IAASA
  - Supervision of the regulatory activities of the Accountancy Bodies;
  - Financial reporting supervision of listed companies
  - promote adherence to high professional standards by accountants, auditors and preparers of financial reports; and
  - to provide specialist advice and support to the Minister for Jobs, Enterprise & Innovation

# Structure of IAASA





# IAASA's Financial Reporting Supervision Unit

# Principal Functions of IAASA's FRSU

- 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

# 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.”*
- Who are the users of the financial statements?

# Review constituency as at 31 December 2014

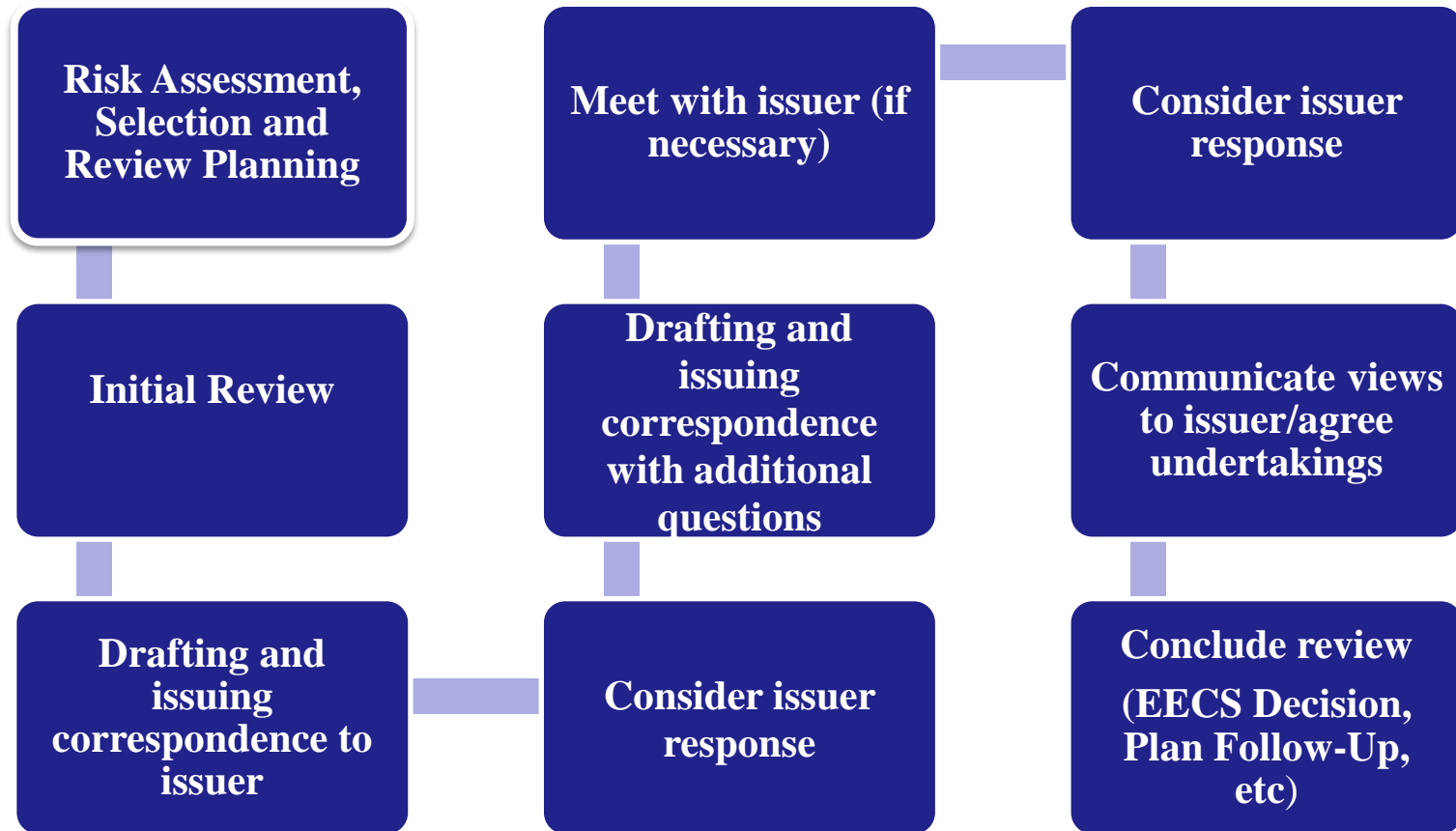
Issuer category	Number of issuers in category	Half-yearly financial reports issued per annum	Annual financial reports issued per annum	Total number of issued per annum
Equity	27	27	27	54
Closed Ended Fund	26	26	26	52
Debt	78	61	78	139
<b>Total</b>	<b>131</b>	<b>114</b>	<b>131</b>	<b>245</b>
<i>Total at 31 December 2013</i>	<i>144</i>	<i>103</i>	<i>144</i>	<i>247</i>

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

# Categories of examinations

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

# What a typical full scope review entails



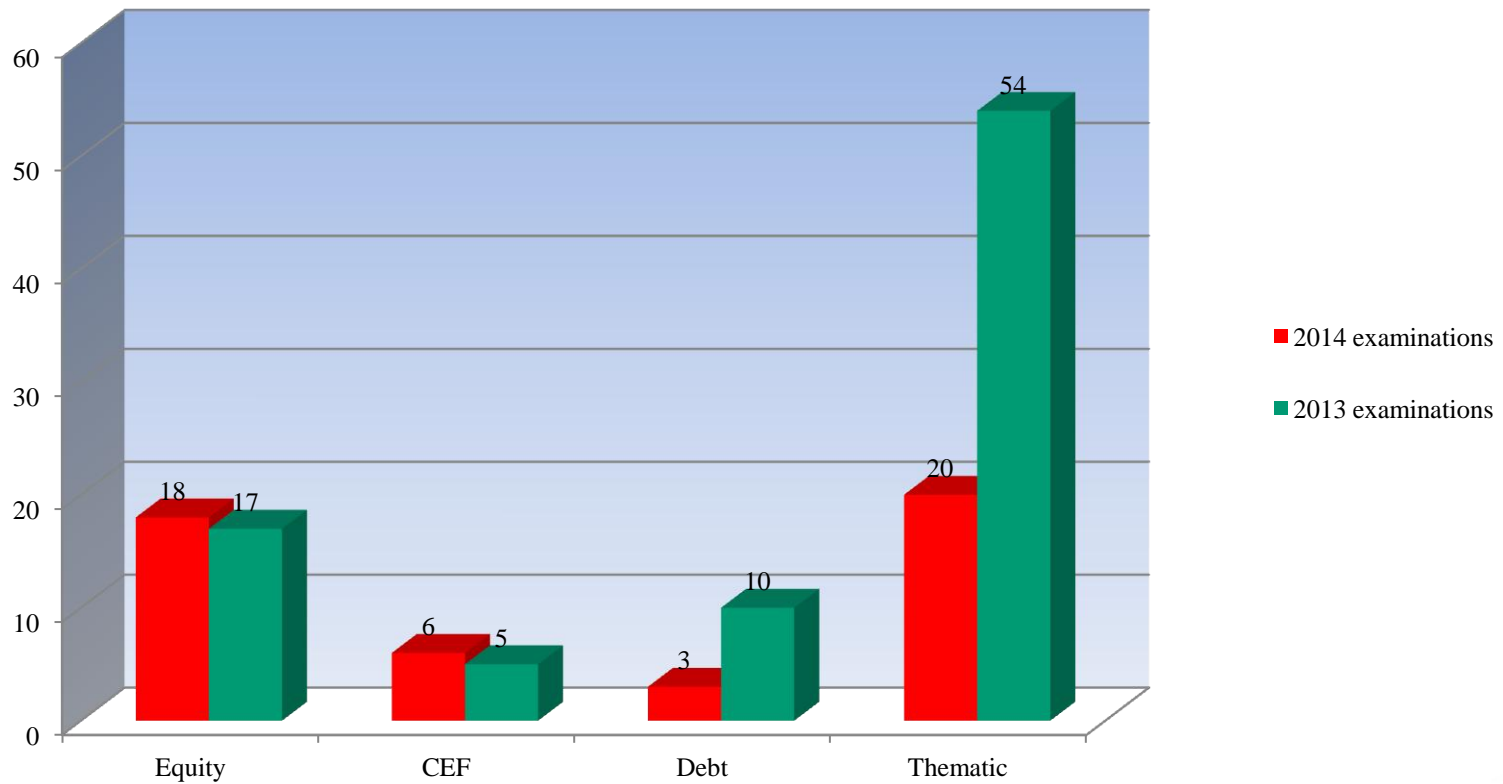
# Some statistics

- 872 matters raised with issuers from 2008 to 2014
- 159 issuers (incl. multiple issuers) have amended their financial statements from 2008 to 2014
- 309 undertakings provided from 2011 to 2014
- 43 financial reports (HY or FY) withdrawn and new financial report issued

# Some issues arising during 2014 examinations



# Examinations undertaken in 2014



# Some trends based on 2014 examinations – equity issuers

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

# Presentation of Financial Statements – IAASA IAS 1 publication

- Key messages for today
  - The accounting standard allows many choices
  - Income Statement presentation varies widely
  - Users beware!
  - Journalists have a function in this regard
  - Watch out for “exceptional items” and what is included in “operating profit”

# Alternative Performance Measures (APMs)

- The most popular
  - EBITDA and other variations of earnings;
  - Operating profit/results of operating activities;
  - Free cash flow;
  - Net debt/gross debt;
  - Adjusted earnings per share ('adjusted EPS');
  - Return on capital employed; and
  - Revenue growth.

# APMs – IAASA recommendations

- Explain the reason for each APM
- Clearly define each APM
- Explain the calculation of each APM
- Reconcile each APM to the relevant IFRS-based measure
- Include comparative amounts for each APM
- Disclose all APMs in a single location
- Avoid presenting APMs that detract from or conflict with IFRS based financial statement measures
- Avoid giving undue prominence to non-IFRS based APMs

# 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

# Accounting enforcement – the European dimension

- European Securities Markets Authority (ESMA)
  - ESMA Guidelines on enforcement of financial information
  - Submission of accounting enforcement decisions
  - Regular meetings of European accounting enforcers
  - Member of various working groups

# Engagement with the IASB

- International Accounting Standards Board
  - Bi-laterals
  - Meetings with IFRS IC via ESMA
  - Examples of issues raised
    - Accounting for UTPs
    - Deferred Tax Assets
    - Operating segments
    - Current –v- non current liability classification
    - Disclosure initiative and materiality



# IAASA publications

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

## 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

# Questions?

# Contacts & Further Information

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