



Irish Auditing & Accounting Supervisory Authority

Presentation to the Corporate Governance Network

*‘Developments in the regulation of
audit and financial reporting’*

Smurfit Business School - 13 March, 2008

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Presentation Overview

- Genesis
- Mission & Principal Functions
- Principal Supervisory Activities
- EU Transparency Directive
- EU 8th Company Law Directive
- Q&A

Genesis

- DIRT – PAC (1999);
- RGA (2000) - recommendations included, *inter alia*:
 - establishment of an oversight body; and
 - a financial reporting review function;
- Companies (Auditing & Accounting) Act, 2003;
- Commencement orders – December, 2005 & February, 2006.

Mission

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

Principal Functions

- To supervise the manner in which the prescribed accountancy bodies regulate and monitor their members;
- To monitor the periodic financial reports of certain issuers for compliance with relevant reporting frameworks;
- To act as a specialist source of advice to the Minister on auditing and accounting matters; and
- To promote adherence to high standards in the auditing and accountancy profession.

Regulatory & Monitoring Supervision

- Supervisory activities include, *inter alia*:
 - Approval;
 - Ongoing supervision, including on-site reviews;
 - Complaints/statutory Enquiries & Investigations; and
 - Granting of recognition.

Financial Reporting Supervision

- Supervisory activities include, *inter alia*:
 - Risk assessment/selection;
 - Review of issuers' periodic financial reports (under the Transparency Directive) for compliance with relevant reporting frameworks; and
 - Remediation/enforcement.

EU Transparency Directive

- Article 24(4)(h) of the Directive requires Member States:

“...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”.
- IAASA designated as the competent authority for 24(4)(h) by the Minister during 2007.
- Central administrative competent authority for Directive purposes –
FR

Transposition into Domestic Law

- The Directive was given effect in domestic law through two avenues, *viz*:
 - Primary legislation - Investment Funds, Companies and Miscellaneous Provisions Act, 2006; and
 - Secondary legislation - Transparency (Directive 2004/109/EC) Regulations, 2007

Scope of the Directive in Ireland

- Applies to all entities whose home Member State is the State and whose '*securities*' are admitted to trading on a regulated market situated, or operating, in a Member State.
- Securities includes:
 - shares;
 - bonds and other forms of securitised debt;
 - derivative securities; and
 - units issued by CEFs.

Issuers' periodic financial reporting requirements

Periodic Report

Required Content

Publication Deadline

Annual

- Audited financial statements
- Management Report
- Audit Report
- Responsibility Statement

4 months after Y/E

Half-yearly

- Condensed financial statements
- Interim Management Report
- Audit report *or* review report *or* negative statement
- Responsibility Statement

2 months after P/E

Annual financial statements

- Issuers' annual audited financial statements must:
 - in the case of issuers required to prepared consolidated financial statements, be prepared in accordance with IFRS; and
 - in the case of issuers not required to prepare consolidated financial statements, be prepared in accordance with issuers' national law.

Half-yearly financial statements

- Must include, at a minimum, condensed financial statements.
- Issuers' condensed financial statements must:
 - in the case of issuers required to prepared consolidated financial statements, be prepared in accordance with IFRS, i.e. IAS 34;
 - in the case of Irish issuers not using IFRS, be prepared in accordance with the ASB's Statement entitled '*Half-Yearly Financial Reports*'; and
 - in the case of all other issuers, be prepared in accordance with a national accounting Standard relating to interim reporting.

Approximate Constituency

Equity Issuers	37
Closed Ended Funds	64
Debt Issuers	<u>207</u>
Total	<u>308</u>

Source: Irish Stock Exchange

IAASA's Powers

- Make Rules and seek High Court Enforcement of same;
- Require information and explanations considered necessary from, *inter alia*, issuers, directors, management and auditors and require certain persons to produce any document(s) in their possession or control;
- Certify refusal to co-operate to the High Court;
- Issue of Notices requiring issuers to prepare revised financial information or to provide written explanations of apparent non-compliance;
- In the absence of the preparation of revised financial information or written explanations, power to direct issuers to prepare revised financial information;

IAASA's Powers

- Power to seek High Court affirmation of directions;
- Power to require issuers to meet IAASA's enforcement costs;
- Power to appoint Authorised Officers;
- Power to publish details of directions issued to issuers.

EU 8th Company Law Directive

- Deals with Statutory Audit and related matters.
- Transposition deadline – **29 June, 2008.**
- Transposition working currently in progress, under the aegis of the D/ETE

Principal Issues/Concepts

- Public Oversight
- Quality Assurance
- Investigations & Penalties (effective and dissuasive, appropriate disclosure)
- Auditors' independence & objectivity
- Audit Standards

Principal Issues/Concepts

- Dismissal - '*proper grounds*' (which will not include divergence of opinion on accounting treatment or audit procedures).
- Group audit – Group auditor bears full responsibility for the audit report in relation to consolidated financial statements.
- Transparency Reports (PIE)
- Audit Committees (PIE) (derogations available in respect of, *inter alia*, subsidiaries, UCITS, securitisation vehicles, credit institutions) (2003 Act/CLRG)

Principal Issues/Concepts

- International aspects:
 - Requirement for 3rd country auditors to register in EU MS;
 - Registration requires meeting certain standards in areas such as qualifications, experience, repute, independence and standards;
 - Requirement for MSs to subject registered 3rd country auditors to their systems of QA, PO, I&P (derogations may be available in respect of registration and QA);
 - Transfer of working papers to 3rd country PO bodies – only permissible under certain circumstances.

Further information

IAASA

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Thank You

Questions?