
ANNUAL REPORT **2014**



IAASA

Irish Auditing & Accounting
Supervisory Authority

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CHAPTER 1

Overview of 2014

MISSION

To promote high quality financial reporting and effective regulation of accountants and auditors through the delivery of independent and effective supervision which protects the public interest.

What IAASA does

IAASA is the independent body in Ireland responsible for the:

- (a) examination and enforcement of certain listed entities' periodic financial reporting; and
- (b) supervision of the regulatory functions of the Prescribed Accountancy Bodies ('PABs').

IAASA's principal goals are to:

- I. deliver independent and effective supervision of financial reporting which promotes high quality financial reporting and which responds to non-compliance robustly, promptly and proportionately;
- II. deliver independent and effective supervision of the PABs' regulatory activities which promotes high quality regulation and which responds to inadequate regulatory practice robustly, promptly and proportionately;
- III. promote adherence to high professional standards by accountants, auditors and preparers of financial reports; and
- IV. provide specialist advice and support to the Minister for Jobs, Enterprise & Innovation ('the Minister') and high quality information to our stakeholders on key auditing and accounting matters.

The key strategies employed to realise these goals during 2014 were to:

- apply a risk-based approach to the supervision of the entities under IAASA's financial reporting supervision remit and to the supervision of the PABs;
- take appropriate supervisory and enforcement actions where necessary; and
- cooperate with third parties, both domestic and international, to further the Authority's objectives.

The work done to realise these goals is elaborated upon further in Chapters 2 and 3. Information on the structure and governance of IAASA is set out in Chapter 4.



Brendan Walsh, Chairperson

Introduction

This is IAASA's ninth Annual Report. I am submitting it to the Minister for Jobs, Enterprise and Innovation, Mr. Richard Bruton TD, in accordance with section 22(1) of the Companies (Auditing and Accounting) Act 2003 ('the Act'). The Chief Executive's Review summarises the principal activities undertaken by IAASA during 2014 to fulfil its mission. The remainder of this Report details this work. In my Statement, I would like to highlight some significant developments that occurred during the year 2014.

Audit reform

During 2014, proposals to reform the audit market were finalised and approved by the European Parliament. These will come into force from June 2016 following their transposition into Irish law. The reforms are focused on restoring public trust and confidence in the audit of financial reports and stipulate a number of measures designed to enhance auditor independence, auditor reporting, to increase choice in the audit market and to improve audit supervision. Of particular significance to IAASA is that the reforms mandate that the inspection of the quality of audits of Public Interest Entities ('PIEs') must be undertaken by an independent authority, such as IAASA. Given that such inspections are currently conducted by the PABs under IAASA's supervision, this is a significant change in the Irish regulatory framework and one which has long been advocated by IAASA. I welcome the finalisation of these audit reforms and look forward to meeting the challenges that lie ahead in implementing them.

Confidentiality of IAASA's work

As reported in previous years, providing information to the public regarding IAASA's work in as transparent a manner as we would like is difficult given the constraints of IAASA's current statutory confidentiality requirements. Except in restricted circumstances, the Authority has been prohibited by law from disclosing information to the public regarding its activities. IAASA has engaged in discussion concerning this issue with the Department of Jobs, Enterprise and Innovation ('the Department') throughout 2013 and 2014 and I am pleased to report that the Companies Act 2014 ('the 2014 Act'), when commenced, will lessen the confidentiality provisions currently in place. Additionally, and as outlined in the Chief Executive's Review, IAASA has also provided advice to the Department concerning the introduction of a statutory instrument to amend other confidentiality constraints relating to IAASA's accounting enforcement work. Both developments will allow greater scope for communication and publication where it is considered appropriate for the performance of IAASA's functions.

Liquidators

The 2014 Act, when commenced, will introduce qualification requirements for liquidators for the first time in Ireland and will require that such liquidators have professional indemnity insurance at a level and on such terms as may be prescribed by IAASA. This Act also confers on IAASA specific responsibilities in relation to the registration of certain individuals as liquidators and for considering the statutory recognition of certain professional bodies who may wish to confer liquidator status on their members.

It is positive that these general measures are being introduced. IAASA continues to work to secure specific statutory functions and powers for the Authority to be able to appropriately discharge this role. Unfortunately, there is no comprehensive framework under the 2014 Act for IAASA or another statutory body to supervise, regulate or discipline liquidators once registered. IAASA has made its views on this matter known to the Department, along with suggestions as to how these provisions of the Act might be appropriately implemented. The Authority will remain available to advise the Minister as required. During 2015, IAASA will continue to work towards the development of a registration system for relevant applicants and to establish criteria regarding professional indemnity insurance for liquidators.

Limiting factors – staff resources

Last year I reported that IAASA's current level of resources placed significant limitations on its ability to fulfil its existing remit. On a positive note, two vacancies which existed last year have recently been filled, bringing the current staff numbers, including the Chief Executive, to 15. Unfortunately, there has been no increase in the staff numbers sanctioned for our existing remit. Indeed, as outlined in the Chief Executive's review, the European Securities and Markets Authority ('ESMA') has recently published its view that Ireland is not compliant nor does it intend to comply with the ESMA enforcement guidelines due to the Authority having "...a lack of human resources and an inability to recruit additional personnel without government sanction." It is also of interest that when the International Monetary Fund did a review in 2014 of Ireland's compliance with the International Organization of Securities Commission's (IOSCO) principles, it also concluded that "[t]he resources at IAASA are not sufficient for the tasks assigned" and recommended that "[a]s for the Central Bank, IAASA should be given additional resources and greater freedom to contract with staff on appropriate terms in order to recruit and retain staff with the necessary expertise".

Reliable financial reporting and auditing are a bedrock of commerce and industry and are of fundamental importance to the performance and international reputation of the Irish economy. It is of relevance that small and medium enterprises in Ireland are heavily reliant on the work of the nearly 34,000 accountants and auditors that operate within IAASA's supervisory remit to provide services such as business and tax advice, and accounting and auditing services. It is vital for the development of the Irish economy and capital markets that the investor community, users of accountancy services and the wider public have confidence and trust in the accounting profession, its outputs and in the monitoring and regulation of the profession. It is equally important that, where the monitoring and regulation of the profession by the PABs is found wanting, there is a well-resourced mechanism for appropriate regulatory and enforcement action. I will continue to engage with the Minister on these issues during 2015.

Changes to the Board's composition

During 2014 David Martin, Kevin O'Donovan and Gerard Scully departed from the Board on the expiry of their respective terms of office. I wish them each well in the future and I express my appreciation on behalf of the Board for their service to IAASA over many years. I would like to warmly welcome the three new directors who joined in their place, namely David Devlin, Etain Doyle and Aileen O'Donoghue.

The 2014 Act, when commenced, will bring further changes to the Board's composition resulting in a reduction in the number of directors from 15 to nine over the coming years. I will work with my fellow directors to ensure that any governance risks which this change may present are appropriately addressed.

Concluding remarks

IAASA's successes and achievements are attributable to a strong and cohesive Board, the leadership of the Chief Executive and IAASA's dedicated and professional staff. I wish to thank all involved. I would also like to express my gratitude to the Minister and the management and staff of his Department for their ongoing support for our activities.

Professor Brendan Walsh

Chairperson

30 April 2015



Helen Hall, Chief Executive

Introduction

The purpose of this Review is to give an overview of some of the key activities undertaken in pursuit of IAASA's mission during 2014 and to provide information regarding its performance and challenges experienced during the year.

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 2014, the Authority's financial reporting review constituency stood at 131 issuers, which published a total of 245 periodic financial statements.

During the year IAASA:

- completed 27 examinations of individual financial statements and corresponded with issuers in relation to 12 of these examinations;
- engaged with issuers on a number of significant financial reporting matters including:
 - with the three financial institutions within remit on their forbore loans disclosures. In this regard, the Authority concluded that the three financial reports did not fully comply with the relevant financial reporting standard. Each of the financial institutions examined undertook to provide additional forbearance disclosures in future financial statements.
 - challenging issuers' financial reporting treatments regarding the recognition, measurement and disclosure of uncertain tax positions; and
 - the classification of current / non-current liabilities on the balance sheet;
- raised 63 matters with issuers' directors in respect of completed reviews;
- secured 21 voluntary undertakings from 11 issuers' directors to amend future periods' financial statements; and
- reviewed 20 financial statements as part of thematic studies.

As a consequence of IAASA's examinations during 2014, three issuers agreed to issue public statements highlighting the resultant changes to their financial reports. The directors of the other relevant issuers have taken action in relation to the matters raised, or have given undertakings to amend future periods' financial statements.

Further details are outlined in Chapter 2 of this Report.

Supervising the Irish accounting profession

The Regulatory & Monitoring Supervision Unit of IAASA is responsible for supervising the regulatory functions of the nine PABs. The six Recognised Accountancy Bodies ('RABs') comprise a subset of the PABs, in that the RABs are permitted to authorise their members and member firms to perform audits under the Companies Acts. At 31 December 2014 there were:

- 33,706 PAB members resident in Ireland; and
- 1,542 statutory audit firms with offices in Ireland authorised as statutory auditors.

The principal supervisory activities performed by IAASA in the area of the supervision of the accountancy and auditing profession in 2014 included:

- conducting three on-site supervisory visits;
- issuing three supervisory visit reports and one follow-up visit report;
- holding 12 review meetings with PAB representatives;
- approving 30 new or revised constitutional documents;
- completing one statutory enquiry;
- initiating one statutory investigation; and
- approving and renewing applications for third country auditor registration.

Further details are outlined in Chapter 3 of this Report.

Audit inspections

As outlined in the Chairperson's Statement, from 2016 IAASA will be responsible for the direct inspection of the work of the largest audit firms in the State with regard to the quality of their audits of PIEs. In preparation for this, IAASA worked with the Department during the year to secure interim funding to allow pre-implementation work to commence during 2015. In cooperation with the Department, IAASA also secured sanction from the Department of Public Expenditure & Reform to commence the recruitment of staff in early 2015 for this new function.

Advocacy and advisory

In pursuit of its goal to promote adherence to high professional standards, in October 2014 IAASA published its:

- observations on selected financial reporting issues for issuers' financial years ending on or after 31 December 2014; and
- review of the application of IAS 7 *Statement of Cash Flows* by selected Irish equity issuers.

An updated survey on the use of Alternative Performance Measures ('APMs') by selected equity issuers was also completed in 2014. This survey covered 10 equity issuers' annual financial statements and the results were published in January 2015.

In 2014, IAASA provided advice and assistance to the Minister and his officials on a range of other matters including:

- the EU Regulation and amended Directive reforming the audit market in Europe;
- the EU Accounting Directive;
- amendments to the Transparency Directive Regulations;
- matters impacting Third Country Auditors;
- Irish Collective Asset-management Vehicles; and
- the Companies Bill 2012 (now the Companies Act 2014).

Website

IAASA completed the revamp of its website during 2014 allowing information regarding the Authority's work and responsibilities to be made available to the public in a more easily accessible manner.

European Securities and Markets Authority ('ESMA') enforcement guidelines

In July 2014, ESMA published Guidelines on the enforcement of financial information, which entered into force on 29 December 2014. These guidelines intend to provide for the principles to be followed for the enforcement process in Europe and to introduce ESMA's role more prominently. They apply to IAASA as an EU national competent authority undertaking accounting enforcement responsibilities under the Transparency Directive. On an annual basis IAASA is required to confirm to ESMA (on a "comply or explain" basis) its compliance with these Guidelines. At the end of 2014, IAASA confirmed that it is in full compliance with 16 of the 18 guidelines and that it "does not comply, but intends to comply" with the remaining two guidelines by 31 December 2015. In summary, the two guidelines at issue related to:

- IAASA not having have sufficient human resources to carry out its activities in an effective manner; and
- IAASA's legal confidentiality constraints which has prohibited it from publishing details of individual enforcement decisions unless they arise from its formal sanctions regime.

With the Department's support, the constraints brought about by the confidentiality regime have been greatly alleviated by the Minister's introduction of Statutory Instrument ('SI') 44 of 2015.

At the time of writing, ESMA has publicised the fact that Ireland does not comply with the Guidelines and does not intend to comply "...due to a lack of human resources and an inability to recruit additional personnel without government sanction." As outlined in the Chairperson's Statement, despite two additional staff being recruited in early 2015, the issue of IAASA's staff resources remains a significant risk for the organisation.

In this context, the Chairperson and I will continue to work with the Department and the Minister to address this issue.

Concluding remarks

I would like to acknowledge and thank my colleagues for their continued hard work and professionalism. I would also like to thank the Chairperson and my fellow Directors for their ongoing support, guidance and counsel during the year.

Helen Hall
Chief Executive

30 April 2015

CHAPTER 2

Examination of issuers' financial reports

1. Introduction

This Chapter sets out the:

- a) key activities undertaken in 2014 by IAASA in relation to its financial reporting enforcement function; and
- b) ancillary functions relating to its financial reporting enforcement i.e.:
 - cooperation with other EU national financial reporting enforcers;
 - cooperation in the development of financial reporting standards; and
 - providing financial reporting advice to the Minister.

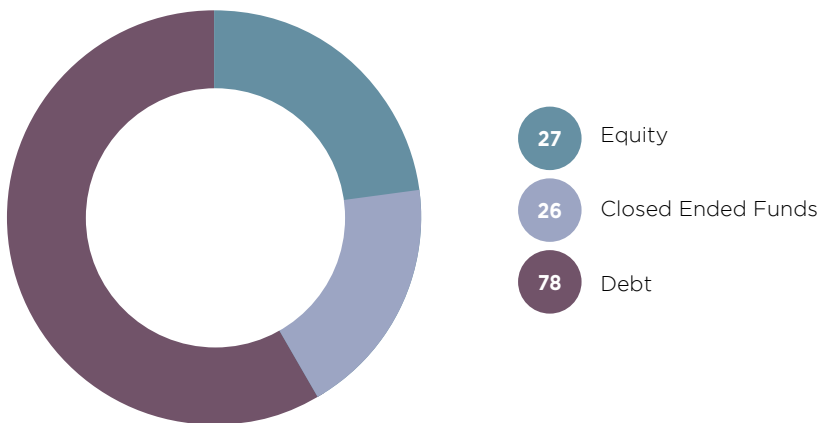
IAASA's legal framework for the examination of issuers' financial reports is set out in the Transparency (Directive 2004/109/EC) Regulations 2007 (as amended) ('Transparency Regulations'). Further detailed information regarding IAASA's functions in this respect can be accessed on the IAASA website.

2. Financial reporting enforcement remit and work performed during 2014

2.1. Issuer constituency

At 31 December 2014, IAASA's financial reporting examination constituency comprised 131 (2013: 144) issuers made up of 27 equity issuers, 26 fund issuers and 78 debt issuers. Table 2.1 details the number of financial reports of these issuers which are under IAASA's remit.

Table 2.1: Financial reporting review constituency at 31 December 2014



Issuer category	Number of issuers in category ¹	Half-yearly financial reports issued per annum	Annual financial reports issued per annum	Total number of periodic financial reports issued per annum
Equity	27	27	27	54
Closed Ended Fund ('CEF')	26	26	26	52
Debt	78	61	78	139
Total	131	114	131	245
<i>Total at 31 December 2013</i>	<i>144</i>	<i>103</i>	<i>144</i>	<i>247</i>

¹ The number of issuers in each category can differ from the issuer constituency as at year ended 31 December because of issuers delisted or new issuers listed after the 30 June so that each annual report does not necessarily have a corresponding half yearly report.

2.2. Categories of examination²

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

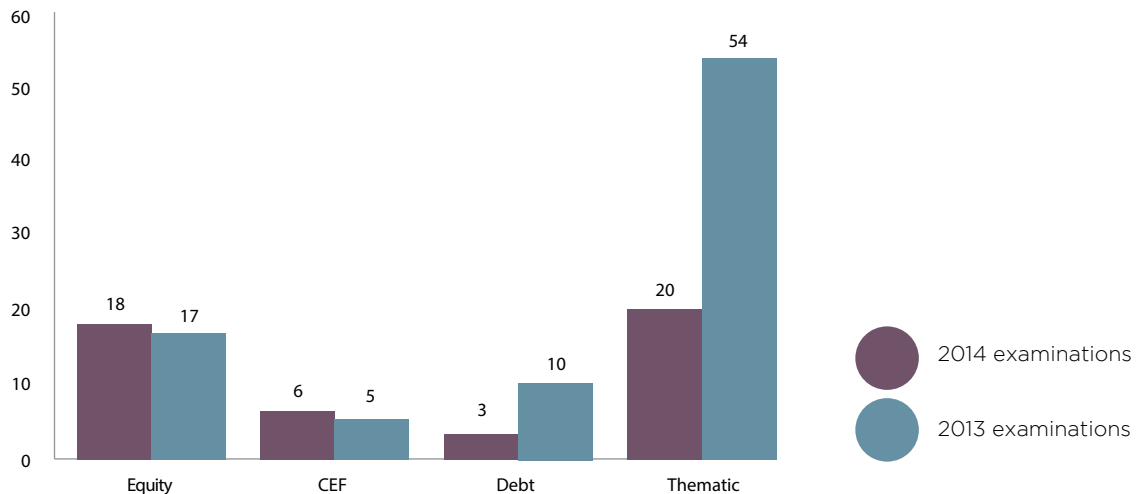
- a) **Unlimited scope examination of financial information** – the evaluation of the entire content of the financial information in order to identify issues / areas that need further analysis and to assess whether the financial information is compliant with the relevant financial reporting framework;
- b) **Focused examination of financial information** – the evaluation of pre-defined issues in the financial information and the assessment of whether the financial information is compliant with the relevant financial reporting framework in respect of those issues;
- c) **Follow-up examination of actions** – ensuring that actions taken are appropriately acted on by the issuers against which the actions were taken;
- d) **Thematic examination of financial information** – the evaluation of financial reporting practices adopted by a range of issuers in respect of one or more financial reporting matters. These examinations are desk-based and limited to examining publicly published information without issuer engagement; and
- e) **Topical surveys** – these surveys, mandated by the 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 unlimited scope examination or focused examination as appropriate.

² The definition and scope of unlimited scope examination, focused examination and follow-up examination are those adopted by ESMA in its *Guidelines on enforcement of financial information*.

2.3. Examinations undertaken in 2014

Examinations which were undertaken in the year are set out in Table 2.2.

Table 2.2: Examinations undertaken in 2014



	2014				2013
	Equity	CEF	Debt	Total	Total
Examinations of annual financial reports	17	4	2	23	28
Examinations of half-yearly financial reports	1	2	1	4	4
Thematic examinations:					
- use of Alternative Performance Measures ('APMs') - an update	10	-	-	10	-
- application of IAS 7 Statement of Cash Flows	10	-	-	10	-
- disclosure of Key Management Personnel compensation	-	-	-	-	24
- presentation of the Income Statement by equity issuers	-	-	-	-	10
- IAS 19 discount rates measurement and disclosure	-	-	-	-	20
ESMA topical surveys:					
- IAS 19	-	-	-	-	5
- IAS 36	-	-	-	-	5
- IAS 37	-	-	-	-	5

The fieldwork on use of APMs by selected equity issuers was completed in 2014. This covered 10 equity issuers' annual financial statements and the results of the survey were published in January 2015 in the updated Commentary *Alternative Performance Measures - A Survey of their Use together with Key Recommendations: An Update*.

A list of issuers' annual and half-yearly financial statements subject to unlimited scope, focused or follow-up examination during 2014 is set out in Appendix 5.

Consistent with earlier years, the financial reports examined in 2014 were selected on the basis of:

- a) **Risk profiling** – 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;
- b) **Rotational selection** – to ensure that all issuers, irrespective of their assessed risk profile, are selected for review over a period of time irrespective of their risk profile or the outcome of overviews; and
- c) **Overviews** – the outcome of overviews of periodic financial reports. Such overviews are undertaken to detect financial reporting treatments warranting closer examination.

IAASA completed 27 examinations (2012: 32) of individual financial statements during 2014 and corresponded with issuers in relation to 12 (2013: 24) of these examinations. A further 3 (2013: 3) examinations were at an advanced stage at year end and IAASA was in ongoing correspondence with these 3 issuers.

A total of 63 (2013: 131) matters were raised with issuers' directors during 2014.

The average number of matters raised with issuers in respect of full scope examinations undertaken was 7 (2013: 9).

IAASA held face-to-face meetings and/or conference calls with 10 (2013: 14) issuers during the year as part of their financial statement examinations.

A further 20 (2013: 54) financial statements were reviewed as part of thematic examinations.

Section 5 provides further detail on these thematic examinations.

In understanding the level and nature of financial statement review activity undertaken in 2014 and in comparing it with 2013 activity levels, a number of factors are relevant, namely:

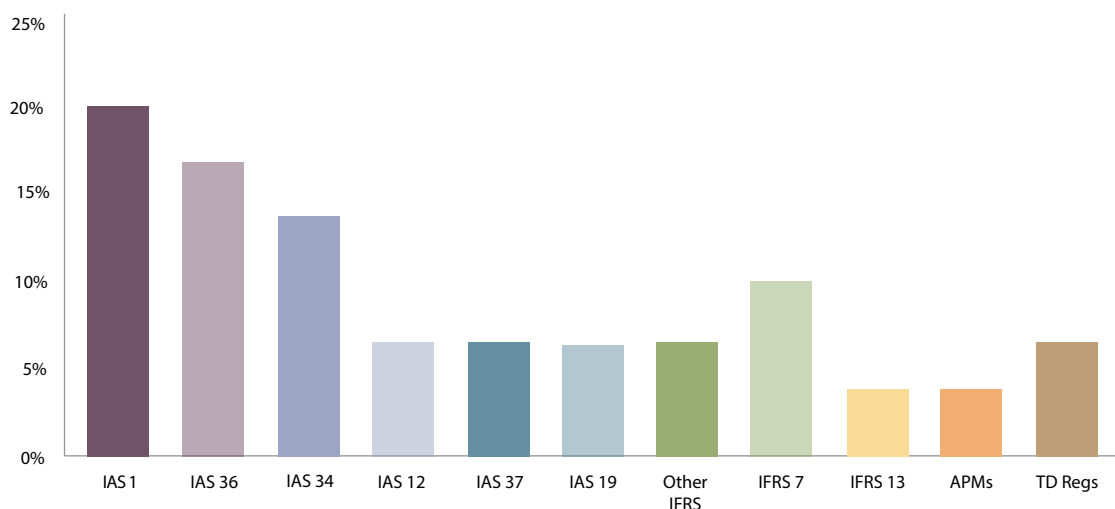
- a) the amount of time dedicated to examining aspects of financial institutions' impairment provisions and disclosures relating to forbearance measures;
- b) the nature of certain examinations with a greater focus on recognition and measurement issues requiring additional time investment in individual examinations;
- c) preparation for and attendance at meetings with issuer representatives; and
- d) the relatively higher proportion of follow up examinations in 2014 resulted, by their nature, in fewer undertakings being provided by issuers.

3. Outcomes of 2014 examinations

As a consequence of IAASA's examinations:

- a) 11 (2013: 17) issuers provided undertakings in respect of future periodic financial reports; and
- b) there were no reports re-filed during 2014 (2013: 1).

For full/unlimited scope examinations a total of 21 (2013: 71) voluntary undertakings were provided by issuers' directors to amend future periods' financial statements and 14 (2013: 38) in respect of focused examinations and follow-up examinations.

Table 2.3: Analysis of Undertakings received from IFRS issuers during 2014 by Accounting Standard

In addition to the IFRS actions noted above a further 8 undertakings were received from 3 issuers applying Irish GAAP. These undertakings related to FRS 8, FRS 25, and FRS 29.

3.1. Public statements by issuers as a consequence of IAASA examinations

As a result of IAASA's examinations three (2013: nil) issuers agreed with IAASA to issue public statements highlighting changes to financial reports arising from IAASA's examinations. Details of these may be found on the IAASA website:

- Lyxor Focus Fund (GBP) Limited;
- Acencia Debt Strategies Limited; and
- Global Asset Programme Limited.

4. Matters considered in the 2014 financial statement examinations

In order to provide an overview of the types of issues arising in examinations of financial statements during 2014, this section provides an outline of some of the more significant issues that were considered. Readers should note that these issues are summarised in nature and do not necessarily set out all the detailed factors evaluated in reaching the decisions.

4.1. Forborne loan disclosures – Banks

Financial reporting requirements

Forbearance occurs when a borrower is granted a temporary or permanent concession or agreed change to a loan ('forbearance measure') for reasons relating to the actual or apparent financial stress or distress of that borrower. A loan which has an active forbearance measure is commonly referred to as a 'forborne loan'. Examples of forbearance measures applied by financial institutions include such modifications of terms as payments by a borrower being interest only, reduced payments, term extensions, capitalisation of arrears or a combination of measures.

The term 'forbearance' is not defined in IFRS. However, the issue of the terms of loans and advances to customers being renegotiated is referred to in paragraph 18 of IFRS 7 *Financial Instruments: Disclosures*. Paragraph 53(c) of IAS 39 *Financial Instruments: Recognition and Measurement* refers to instances where a lender, for economic or legal reasons relating to the borrower's financial difficulty, grants to a borrower a concession that the lender would not otherwise consider.

Paragraph 31 of IFRS 7 requires that *'An entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period'*.

Paragraphs 33 and 34 of IFRS 7 require, for each type of risk, qualitative and quantitative disclosures including explanation for changes therein and require disclosures of concentrations of risk if not apparent from the disclosures.

Paragraph 35 of IFRS 7 states that *'If the quantitative data disclosed as at the end of the reporting period are unrepresentative of an entity's exposure to risk during the period, an entity shall provide further information that is representative'*.

In deciding on the level of detail to present and how to aggregate information without combining information with different characteristics, paragraph B3 of IFRS 7 requires that *'an entity shall not obscure important information by including it among a large amount of insignificant detail. Similarly, an entity shall not disclose information that is so aggregated that it obscures important differences between individual transactions or associated risks'*.

Paragraphs 112(c), 122 and 125 of IAS 1 *Presentation of Financial Statements* require disclosure of:

- (a) information that is not presented elsewhere in the financial statements but is relevant to an understanding of items;
- (b) the significant accounting policies and judgements that management has made in the process of applying policies; and
- (c) the sources of estimation uncertainty.

Findings

IAASA was concerned that the disclosure of forborne loans and forbearance measures in the financial statements of the financial institutions did not adequately reflect the risks arising from exposure to the forborne loan portfolio and the impact that forborne loans have on the institutions' financial performance, financial position and future cash flows.

Following an examination of the forbearance disclosures of the main financial institutions that come within its supervisory remit (i.e. Allied Irish Banks plc, Bank of Ireland and Permanent TSB Group Holdings plc), IAASA was of the view that the disclosures provided in their annual reports did not comply in full with the relevant financial reporting standard. Those financial institutions were required to provide additional and more disaggregated forbearance disclosures and to include all the required disclosures on forborne loans within their future audited financial statements.

IAASA's view was that the granting of forbearance measures to selected borrowers, while not necessarily indicative of an impairment loss, was indicative of an elevated level of credit risk and the underlying financial stress amongst a material component of a financial institution's borrowers. Loans that had been the subject of forbearance measures posed a more significant and elevated risk to the performance and financial position of the financial institution as opposed to the risks from non-forborne loans. The key performance metrics of forborne loans were likely to exhibit a higher probability of default, higher loan to value ratios and an elevated level of impairment charges and uncertain forecast cash flows. Therefore, more transparent disclosure of the significant levels of forborne loans and movements therein was considered necessary for an understanding of the institution's performance, financial position and future cash flows.

In addition, the disclosure of quantitative information of both forborne and non-forborne loans in aggregate (without appropriate segmentation of a type and level of detail applied to non-forborne loans) could inhibit the ability of users to understand the risk exposures and changes in those risks during the year that are associated with forborne loans. For example, whether the forbearance disclosures enable users to fully understand the significance of loans that are subject to forbearance measures, how successful or otherwise those forbearance measures are and their impact on the issuer's financial performance, financial position and cash flows.

IAASA concluded that additional and disaggregated forbearance disclosures were required in future annual financial statements of each of the financial institutions together with relevant qualitative disclosures.

Following correspondence, each of the financial institutions examined undertook to provide additional forbearance disclosures in future financial statements.

Correspondence with two institutions had concluded by 31 December 2014 and while correspondence with the third institution was on-going at year end it concluded prior to the publication of its 2014 financial statements.

4.2. Accounting for uncertain tax positions

Financial reporting requirements

Liabilities for uncertain tax positions ('UTPs') arise where the ultimate tax treatment of an item is unclear or is a matter of dispute between an entity and the relevant tax authority. UTPs generally occur where there is an uncertainty as to the meaning of the law, or to the applicability of the law to a particular transaction, or both. The outcomes of UTPs are often open to different interpretation of local tax laws and may be resolved only over an extended period of time.

IAS 12 *Income Taxes* applies to all taxes which are based on taxable profits. Paragraph 46 of IAS 12 states that current tax liabilities (or current tax assets) for the current and prior periods shall be measured at the amount expected to be paid to (or recovered from) the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Paragraph 122 of IAS 1 *Presentation of Financial Statements* requires an entity to disclose the judgements that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Findings

IAASA has examined the recognition, measurement and disclosures related to UTPs by a number of entities.

IAS 12 lacks clarity with regard to the measurement of UTPs and as a result, a variety of methodologies are applied by issuers. In its examinations, IAASA detected that the recognition of a significant amount of UTP liabilities in issuers' financial reports were not matched with similar amounts of cash tax payments in later years.

As a result of its engagement with issuers and the lack of clarity in IAS 12, IAASA raised the question of the measurement of UTPs with representatives of the IASB and IFRS Interpretations Committee ('IFRS-IC'). As a result, the IFRS-IC discussed the measurement of assets and liabilities on UTPs at its meeting of 16 - 17 September 2014³. The IFRS-IC tentatively decided to proceed with the project on measurement of UTPs, subject to further analysis and deliberations. IFRS-IC also concluded that an entity should assume that the tax authorities will examine the amounts reported to them and have full knowledge of all relevant information (i.e. it should assume a 100% detection risk).

Subject to the IFRS-IC's deliberations on this matter, it is IAASA's conclusion that an excessively prudent or conservative estimate/measurement of UTPs may be inconsistent with a fair presentation or the amount '*expected to be paid*' to/recovered from the tax authorities.

IAASA found that the disclosure of UTP measurement policies, key judgements and any changes therein has been varied and lacking in detail. As a result of examinations, a number of issuers have provided undertakings to improve their disclosure of the financial reporting treatments applied in respect of UTPs.

It remains IAASA's expectation that issuers' disclosures of their UTP measurement policies will be such that the key UTP measurement judgements are readily apparent to users of financial statements.

³ See <http://media.ifrs.org/2014/IFRIC/September/IFRIC-Update-September-2014.pdf>

4.3. Disclosure of assumptions used to measure pension liabilities

Financial reporting requirements

Paragraph 144 of IAS 19 *Employee Benefits* states that the significant actuarial assumptions used to determine the present value of the defined benefit obligation shall be provided in the form of weighted averages or relatively narrow ranges.

In addition, paragraph 138 of IAS 19 requires an entity to assess whether all or some disclosures should be disaggregated to distinguish plans or groups of plans with materially different risks. For example, an entity may disaggregate disclosure about plans in different geographical locations, those with different characteristics such as flat salary pension plans, final salary pension plans or post-employment medical plans, operating in different regulatory environments or having different funding arrangements (e.g. wholly unfunded, wholly or partly funded).

Findings

The issuer has businesses in a number of jurisdictions and operates defined benefit post retirement benefits for eligible employees under a number of separate arrangements in the principal jurisdictions in which it operates.

The issuer's annual financial report disclosed the principal financial assumptions used by the issuer's actuaries to calculate the defined benefit obligation at the reporting date. Cognisant of the different assumptions used for these separate pension arrangement these financial assumptions were presented in range format (e.g. inflation assumption 1.5% to 3.0%).

IAASA concluded that the issuer had not met the requirements of IAS 19 in full and required the issuer to disclose the significant actuarial assumptions used to determine the present value of the defined benefit obligation on a disaggregated basis and to distinguish plans or groups of plans with materially different risks.

IAASA required an issuer to disclose the significant assumptions used to measure its pension liability on a disaggregated basis for each significant pension arrangement rather than as a broad range of assumptions covering all pension schemes.

This decision resulted in the issuer disclosing the significant actuarial assumptions for each of the four principal pension plans or grouping of plans.

4.4. Presentation of financial statements: classification of liabilities as current or non-current

Financial reporting requirements

Paragraph 69 of IAS 1 *Presentation of Financial Statements* requires that an entity shall classify a liability as current when:

- (a) it expects to settle the liability in its normal operating cycle;
- (b) it holds the liability primarily for the purpose of trading;
- (c) the liability is due to be settled within twelve months after the reporting period; or
- (d) it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

An entity shall classify all other liabilities as non-current.

Findings

IAASA's view is that paragraph 69(d) of IAS 1 requires both:

- (a) the issuer having the right to defer settlement; and
- (b) that right being unconditional.

In practice, the time period over which a liability is settled may extend over a number of years even if the issuer has no *'unconditional right to defer settlement'*. However, IAASA's view is that this time lapse does not, of itself, give an issuer the *'unconditional right'* to defer settlement for at least twelve months.

IAASA has challenged issuers' classification of liabilities as between current liabilities and non-current liabilities and, in particular, whether issuers

have an *'unconditional right to defer settlement of the liability for at least twelve months after the reporting period'*.

This matter has been raised by IAASA with the IASB. This issue could have significant implications for issuers across Europe in that it deals with whether liabilities should be classified as current rather than long term where the issuer does not have an unconditional right to defer settlement for at least one year and could result in a change from current practice by a large number of issuers.

The classification of liabilities could have significant impact on, for example, ratios required under bank loan covenants.

Given the apparent diversity in practice, IAASA has, through its participation in the European Enforcers' Co-ordination Sessions ('EECS') meetings, raised this matter with ESMA and with the IASB directly. Discussions were ongoing at year end.

4.5. Classification of shares in limited life entities as liabilities or equity (puttable financial instruments)

Financial reporting requirements

A puttable financial instrument is defined by paragraph 11 of IAS 32 *Financial Instruments: Presentation* as *'a financial instrument, that gives the holder the right to put the instrument back to the issuer for cash or another financial asset or is automatically put back to the issuer on the occurrence of an uncertain future event'*.

The financial reporting considerations revolved around whether shares are classified and presented as equity or as liabilities in accordance with paragraph 16C of IAS 32 in a limited life entity.

Findings

The issuer is a private equity fund structured as a company. The company has a finite life of 10 years which may, at the discretion of the shareholders, be extended to 15 years. There are three separate classes of shares in issue. The issuer classified and presented those shares as liabilities (and not as equity) in its statement of financial position.

The three separate classes of shares in issue have identical rights and entitlements in all respects except the minimum subscription amount and management fee structure.

After the initial 10 years, the power to extend or terminate the company and require the net assets to be distributed rests with the shareholders and not with the company; the shareholders had effectively the right to put the shares back to the company on liquidation.

IAASA assessed whether some or all of the issuer's shares met the requirements of paragraph 16C of IAS 32. Paragraph 16C requires that an instrument which imposes an obligation on an entity to deliver a *pro-rata* share of the net assets only on liquidation should classify its shares as equity instruments if it has all of the following features:

- a) entitles the holder to a *pro-rata* share of the net assets in the event of liquidation;
- b) the instrument is subordinate to all other classes of instruments; and
- c) all instruments in the class that is subordinate to all other classes must have an identical contractual obligation for the issuing entity to deliver a *pro-rata* share of its net assets on liquidation.

IAASA concluded that, in this case, there was no apparent instance of non-compliance by the issuer by virtue of the performance fee element attaching to some shares, though a nominal management/performance fee might have led to a different classification. IAASA obtained undertakings from the issuer to provide additional disclosures regarding the different share classes in future financial statements.

IAASA noted that paragraph 16C of IAS 32 does not specify that different management fees/fee structure violates the identical contractual obligation requirement. Paragraph 16A(c) of IAS 32, which is similar to paragraph 16C of IAS 32, gives examples of identical features which did not include fees as a distinguishing feature that might violate the identical features/contractual obligation requirement.

Given the widespread implications for European funds of this decision by IAASA, the matter was discussed directly with the IASB and ESMA.

Nonetheless, issuers should carefully consider whether the rights of all share classes merit or continue to merit a classification as equity or liability in accordance with paragraph 16C of IAS 32. For an instrument to be classified as equity, holders must, amongst other matters, be entitled to a *pro-rata* share of net assets on liquidation. Issuers should provide a clear disclosure of the nature of the rights of different share classes including management/performance fees payable by each share class and how, if any, the management/performance fee structure alters holders' entitlements to a *pro-rata* share of the net assets on liquidation.

5. Thematic examinations

IAASA undertook two topical thematic examinations during 2014 (2013: three).

5.1. Review of the application of IAS 7 *Statement of Cash Flows* by selected Irish equity issuers

This review and published commentary reported on how selected Irish equity issuers prepare cash flow statements under IAS 7 *Statement of Cash Flows*. It was prepared to highlight for users of Irish equity issuers' annual financial statements the areas where divergent, but not necessarily non-compliant, approaches have been adopted in practice. The document also aimed to stimulate debate amongst stakeholders as to whether, and if so, how existing approaches could be modified to provide enhanced comparability.

The key findings and messages from the thematic examination were that:

- a) the level of compliance with the presentational requirements of IAS 7 by the equity issuers selected was satisfactory;
- b) there are a number of areas where the presentation of cash flows does not result in information that is readily comparable between equity issuers;
- c) the application by issuers of alternative financial reporting treatments permitted by IAS 7 highlights the need for users to carefully study the particular treatments adopted in specific instances; and
- d) issuers produce various non-accounting standard based cash flow statements and the measurement basis used for these Alternative Performance Measures varies.

The full publication is available on IAASA's website.

5.2. Alternative Performance Measures – A Survey of their Use together with Key Recommendations: An Update

In January 2015, IAASA published an updated Commentary and Key Recommendations on the use of Alternative Performance Measures ('APMs') by selected Irish equity issuers for which the field work was all undertaken during 2014.

This updated Commentary found that:

- a) the use of APMs amongst the selected equity issuers is universal;
- b) certain issuers distinguish between "key" APMs and other APMs;
- c) improvements are evident in a number of cases compared to the results of the 2012 study but there is still scope for further improvements in order to aid users' understanding of the financial results;
- d) differing definitions of apparently similar APMs are used by different issuers; and
- e) there is a tendency for issuers to "flatter" their results by the exclusion of certain items from performance measures.

IAASA reiterated its 2012 recommendations and encouraged issuers to redouble their efforts to meet users' needs and comply with IAASA's recommendations. The full publication is available on IAASA's website.

6. International cooperation

6.1. Cooperation with other EU national financial reporting enforcers through EECS

IAASA cooperates with other EU national financial reporting enforcers through the ESMA sponsored EECS. The objective of 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. With effect from November 2014 IAASA also attends the quarterly meetings of the ESMA Corporate Reporting to which EECS reports.

During 2014 ESMA published its final *Guidelines on enforcement of financial information*, which came into effect on 29 December 2014. The impact of these guidelines on IAASA is detailed in the Chief Executive's review.

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 financial reporting enforcers for discussion at EECS plenary meetings.

As part of the regular activities of EECS, in 2014 IAASA:

- a) supplied information for ESMA publications and conducted surveys on the application of IFRS across the EU from an Irish perspective;
- b) attended 8 of 9 (2013: 9/9) EECS plenary meetings held in 2014 and actively participated in the consideration of issues brought to EECS by other members;
- c) submitted 4 (2013: 5) decisions to the EECS database. The subject matter of these decisions is set out in Appendix 6;
- d) presented 3 (2013: 2) decisions to the plenary meetings for discussion. The subject matter of these decisions is set out in Appendix 6;
- e) submitted and presented 3 (2013: 1) emerging cases to the plenary meetings for discussion. The subject matter of these emerging cases is set out in Appendix 6;
- f) presented the following IAASA publications at the EECS plenary meetings:
 - IAASA's Annual Report 2013;
 - IAASA's 2014 Observations document; and
 - IAASA's Paper *Review of the application of IAS 7 Statement of Cash Flows by selected Irish equity issuers*; and
- g) contributed to the revision of ESMA's Enforcement Guidelines through the Head of Financial Reporting Supervision's membership of the Revision of Enforcement Standards Group.

As a consequence of the discussion of emerging cases and decisions at EECS plenary meetings, three matters raised by IAASA (namely, classification of puttable financial instruments as between liability and debt, recognition & measurement of UTPs, and classification of liabilities between current and non-current liabilities) were added to the agenda for further discussion between EECS and IFRS-IC representatives.

6.2. IAASA engagement with the International Accounting Standards Board

Arising out of IAASA's examinations in 2014 a number of financial reporting matters have been raised at international level with IASB Board members and with IFRS-IC representatives. These included:

- a) Accounting for UTPs: Issuers apply a variety of methods in recognising and measuring UTPs. Following IAASA's discussions with the IASB, the matter was formally and publicly discussed by IFRS-IC. IFRS-IC tentatively decided to proceed with a project on measurement of UTPs, subject to further analysis and deliberation. This may lead to a clarification or change to the financial reporting standard. UTPs have been identified as one of the common enforcement priorities identified by ESMA for the 2015 cycle of reviews. Financial reporting enforcers across Europe will be required to pay particular attention to UTPs when carrying out their examinations in 2015.
- b) Deferred tax assets – forecast period: The extended period of time which issuers use to forecast taxable profits underpinning the recognition and measurement of deferred tax assets was formally raised by IAASA with EECS and, through ESMA, with IASB Board members and with IFRS-IC representatives. Deferred tax assets have also been identified as one of the common enforcement priorities identified by ESMA for the 2015 cycle of reviews.
- c) Operating segments Paragraph 22 of IFRS 8 *Operating Segments* was amended in December 2013 by requiring disclosure of the judgements made by management in applying the Standard's aggregation criteria. This disclosure includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

In earlier years, IAASA had challenged issuers' judgements regarding the basis on which they had aggregated operating segments into reportable segments. IAASA discussed a number of these matters with EECS and the subject was raised by ESMA with the IASB.

d) Other matters

Items raised directly by IAASA which are currently under discussion with the IASB are:

- the classification of current / non-current liabilities on the balance sheet – application of paragraph 69(d) of IAS 1;
- the classification of puttable instruments – application of paragraph 16C of IAS 32; and
- the presentation of the Income Statement – application of IAS 1.

6.3. 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 eight Accounting Council meetings in 2014 (2013: 10 meetings).

During the year IAASA provided comments to the FRC on the following documents:

- FRED 54 - FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* - basic financial instruments (basic financial instruments); and
- FRED 56 - FRS 104 *Interim Financial Reporting*;

7. Advocacy activities

7.1. Publications during the year

IAASA issued the following two publications during 2014:

- a) *Observations on selected financial reporting issues for issuers' financial years ending on or after 31 December 2014* (October 2014); and
- b) *Review of the application of IAS 7 Statement of Cash Flows by selected Irish equity issuers* (October 2014).

In addition, the fieldwork on use of APMs by selected equity issuers was completed in 2014. This covered 10 equity issuers' annual financial statements and the results of the survey were published in January 2015 in the updated Commentary *Alternative Performance Measures – A Survey of their Use together with Key Recommendations: An Update*.

7.2. Stakeholder engagement, presentations and publications

In 2014, IAASA continued to engage with its stakeholders. These included the Central Bank, the Department, ICAI, ESMA, FRC, IFRS-IC, and other enforcers.

During the year the Head of Financial Reporting Supervision was the guest speaker at the Grant Thornton IFRS Interpretations Group Forum and wrote IAASA's *Latest observations on Financial Reporting Issues* for the December 2014 issue of Accountancy Ireland.

8. Provision of accounting advice to the Department

During the year, IAASA provided comment to the Department regarding proposed amendments to the Transparency Directive.

CHAPTER 3

Supervision of the accountancy and auditing profession

1. Introduction

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

The Act and Statutory Audit Directive Regulations provide that IAASA's principal functions relating to the PABs include:

- granting approval of the PABs' respective constitutional documents and other related rules, regulations and standards applying to their members, and of any proposed amendments thereto;
- supervising the operation of the PABs' investigation and disciplinary processes and the manner in which the RABs monitor their members and member firms; and
- with regards to their audit members, superintending the RABs' systems in relation to approval and registration, adoption of standards, continuing education, quality assurance and investigation and discipline.

Detailed information regarding IAASA's functions in respect of the PABs can be accessed on the IAASA website.

2. Overview of supervisory activities

2.1. 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 Companies Act 1990 ('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.

IAASA's supervisory activities in relation to the nine PABs fall broadly into the following categories:

- supervisory visits, desktop reviews and periodic review meetings (Section 3);
- approval of the PABs' constitutional documents (Section 4);
- complaints handling and enquiries & investigations (Sections 5 and 6 respectively);
- attachment of conditions to the RABs' recognitions (Section 7); and
- the PABs' annual return process, the results of which are summarised in a separate publication entitled *Profile of the Profession 2014*, available on the IAASA website.

2.2. Additional supervisory activities

In addition to the PAB specific functions, IAASA's activities in the area of supervision of the accountancy and auditing profession also encompass:

- responding to queries from members of the public (Section 8);
- implementation of the Statutory Audit Directive Regulations (Section 9);
- registration of third country auditors and audit entities (Section 10);
- cooperation with IAASA's EU and international counterparts, as well as with other national and EU authorities (Section 11); and
- acting as advisor to the Minister, in particular in respect of planning for the entry into force in 2016 of the European Commission's ('EC') amendment of the Statutory Audit Directive and new EU Regulation regarding the statutory audit of PIEs (Section 12).

3. Supervisory visits, desktop reviews and periodic review meetings

3.1. Supervisory visits and desktop reviews

During the year, IAASA issued three supervisory visit reports and one follow-up review report. At 31 December 2014, drafting of reports in respect of two further supervisory visits was ongoing.

The primary focus of the supervisory visits conducted during 2014 was RABs' processes for the quality assurance of their audit members. The main issues identified included:

- non-compliance with the inspection cycle requirements of the Statutory Audit Directive Regulations;

- delays in the quality assurance process;
- timeliness and appropriateness of follow-up actions; and
- weaknesses in the documentation of quality assurance inspections.

Following supervisory visits, IAASA works with the PABs concerned to address issues identified through improvements to their overall systems and processes. At year end, IAASA continued to actively consider a number of matters and to monitor the relevant PABs' actions to implement recommendations made in the above and in previous supervisory visit reports.

3.2. Periodic review meetings

IAASA held 12 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 for improvements where IAASA has identified potential weaknesses in 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.

IAASA's annual contact group meeting with representatives of all the PABs was held in June 2014, during which IAASA updated the PABs regarding its activities during the year. Additionally, this annual meeting facilitates discussion with the PABs regarding matters of common interest and topical issues.

4. 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 3.1, IAASA approved 30 (2013:33) (new or revised) constitutional documents during the year, which related to the ACCA, ICAEW, ICAI and the ICPAI. The review of a further 15 constitutional documents was ongoing at 31 December 2014.

Table 3.1: Approvals granted

	2014	2013
Bye-laws	3	4
Regulations	25	22
Codes of ethics & conduct	2	4
Charters and articles of association	-	3
Total	30	33

5. Complaints handling

5.1. Overview

IAASA is occasionally contacted by members of the public expressing dissatisfaction with professional services provided by PAB members/member firms and/or with the regulation of accountants by the PABs.

However, the Act provides for a model of supervised self-regulation under which the PABs are normally responsible for carrying out investigations into their members' activities under IAASA's supervision. Therefore, where IAASA receives a complaint which has not, in the first instance, been made to the relevant PAB, the

matter is referred to that PAB for processing in accordance with its approved investigation and disciplinary procedures. Of the 26 (2013:15) complaints closed during the year, 18 (2013:12) were referred to the relevant PAB.

Although IAASA has no statutory role in facilitating the resolution of individual complaints or in operating a system of final appeal against decisions taken by the PABs in relation to complaints, it has a statutory role in relation to the supervision of the PABs' compliance with their approved investigation and disciplinary procedures. Therefore, where there is an issue of non-compliance with those procedures, IAASA considers what supervisory or regulatory action is appropriate. This may include a section 23 enquiry as detailed in section 6.1.

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.

19 (2013:18) complaints were received during the year, further details of which are set out in Table 3.2. The principal issues raised by complainants related to:

- allegations of unsatisfactory work;
- dissatisfaction with aspects of the PABs' investigation and disciplinary procedures; and
- dissatisfaction with fees charged.

Table 3.2: Complaints received

	2014	2013
Complaints on hand at 1 January	16	13
Complaints received during the year	19	18
Complaints closed during the year	(26)	(15)
Complaints on hand at 31 December	9	16
<i>Analysed as:</i>		
Complaints under consideration at year end	7	13
Matters ongoing under the section 23 process (see Table 3.3)	2	3

5.3. Notifications from other regulators

In 2014 IAASA received a total of seven (2013:14) notifications from the Office of the Director of Corporate Enforcement ('ODCE') concerning matters it had referred to the PABs. Issues identified in the ODCE's notifications included:

- provision of false information under the Companies Acts; and
- lack of qualification to audit by certain individuals.

No notifications were received from other regulators during the year. The PABs typically process such notifications as complaints. Consequently, during the year IAASA continued to monitor the PABs' responses to notifications 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 supervision may at times result in IAASA invoking more direct enquiry or investigative powers under section 23 or section 24 of the Act respectively.

6. Enquiries and investigations

6.1. Section 23 enquiries

IAASA is empowered by section 23 of the Act to initiate statutory enquiries to determine whether a PAB has complied with its approved investigation and disciplinary procedures. An overview of the section 23 process is available on the IAASA website. Table 3.3 provides an overview of section 23 enquiry activities during the year.

Table 3.3: Summary of section 23 enquiry activity

	Preliminary Enquiry Stage	Full Enquiry Stage	Total
Section 23 enquiries ongoing at 1 January 2014	1	2	3
Full enquiries completed during the year	-	(1)	(1)
Section 23 enquiries ongoing at 31 December 2014	1	1	2

The Preliminary Enquiry Committee ('PEC') alluded to in Table 3.3 remained in adjournment at year end as the matters to be considered by the PEC may have impacted upon a potential future criminal investigation. One full enquiry was completed during the year. It was determined that the ICAI had failed to comply with its approved investigation and disciplinary procedures. The sanctions applied included fines totalling €22,000 and a requirement for the ICAI to undertake a fresh investigation. Further details regarding this enquiry are available on the IAASA website.

6.2. Section 24 investigations

Section 24 of the Act provides that if, in IAASA's opinion, it is appropriate or in the public interest to undertake an investigation into a possible breach of a PAB's standards by a member, IAASA may undertake such an investigation, either following a complaint or on its own initiative.

An overview of the section 24 process is available on the IAASA website. One preliminary investigation was initiated during the year and remained ongoing at year end.

7. Attachment of conditions to the RABs' recognitions

The six 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 2014, in addition to monitoring the relevant RABs' compliance with conditions attached in previous years, a further two conditions were attached.

8. Queries received

As detailed in Table 3.4, IAASA received 139 (2013:138) queries relating to its supervision of the accountancy and auditing profession 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 3.4: Nature of queries received

	2014	2013
Companies legislation	63	39
IAASA's role or IAASA's and the PABs' respective roles	21	24
PABs or individual accountants/auditors	15	40
Third country audit registration	15	18
How to lodge a complaint with IAASA and/or a PAB	14	5
Relating to the functions of other regulatory bodies	-	2
Miscellaneous	11	10
Total	139	138

9. Implementation of the Statutory Audit Directive Regulations

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 and audit entities, as detailed in Section 10;
- receipt of 3,203 (2013:2401) notifications relating to auditor resignations and removals; and
- liaison with the Companies Registration Office ('CRO') to ensure that Individually Authorised Auditors ('IAAs') who continue to audit are subject to the regulation of a RAB and therefore have been listed on the public register of auditors by the relevant RAB.

10. Registration of third country auditors and audit entities

The EC put in place a framework whereby auditors and audit entities from non-EEA countries ('third countries') could continue to issue valid audit opinions in the EU provided that certain requirements were met. In Ireland, such auditors must make an application to register with IAASA following which a detailed assessment is undertaken to ensure that such auditors meet the relevant criteria.

During the year, IAASA renewed the full registration of 16 (2013:14) third country audit firms. In addition, two (2013: five) new applications for full registration were approved. No applications for transitional registration were approved during the year.

IAASA is also responsible for updating the Register of Third Country Auditors (which is available on the CRO website, www.cro.ie) for approved applications and notifying any changes to the CRO. The register of transitional third country auditors is available on the IAASA website.

11. Domestic and international cooperation

IAASA seeks to maintain strong links with domestic and international counterparts as part of its ongoing supervisory activities, including liaison with the:

- Office of the Director of Corporate Enforcement;
- Central Bank of Ireland;
- Companies Registration Office;
- UK Financial Reporting Council including its Audit and Assurance Council;
- European Group of Auditors' Oversight Bodies;
- European Audit Inspection Group;
- International Forum of Independent Audit Regulators; and
- US Public Company Accounting Oversight Board.

During 2014, IAASA also met with representatives of the Irish Stock Exchange, the Revenue Commissioners and Quality & Qualifications Ireland to discuss matters of mutual interest.

12. Reform of the European audit market

In April 2014, the EU Council ratified changes to the existing Statutory Audit Directive and a new regulation on specific requirements regarding the statutory audit of PIEs. The revised directive and regulation, which become applicable for all EU member states from June 2016, are intended to improve audit quality and re-establish investor confidence in financial information. The reforms will lead to a number of changes in the regulation and supervision of audits, including the transfer of responsibility for the quality assurance of auditors of PIEs from the RABs to IAASA.

During the year, IAASA continued to monitor the reforms and to provide advice to the Department. In particular, IAASA liaised with the Department in relation to its consultation paper on the member state options available in the revised Directive and Regulation and the interpretation and implementation of the reforms, including the planned transposition of the revised Directive into Irish law. In addition, IAASA representatives participated in EU audit reform workshops and submitted clarification questions to the EC regarding the audit reform legislation.

CHAPTER 4

Governance and structure

1. Legal structure

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

- Association of Chartered Certified Accountants*
- Association of International Accountants*
- Chartered Institute of Management Accountants*
- Chartered Institute of Public Finance & Accountancy*
- Central Bank of Ireland
- Director of Corporate Enforcement
- Institute of Certified Public Accountants in Ireland*
- Institute of Chartered Accountants in England & Wales*
- Institute of Chartered Accountants in Ireland*
- Institute of Chartered Accountants of Scotland*
- Institute of Incorporated Public Accountants*
- Irish Association of Investment Managers
- Irish Business & Employers' Confederation
- Irish Congress of Trade Unions
- Irish Stock Exchange
- Law Society of Ireland
- Pensions Authority
- Revenue Commissioners

* Denotes a PAB

2. Organisational structure

2.1. Overview

During the year, IAASA had 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.

2.2. Approved staff complement

The numbers, grades, and terms and conditions of IAASA's staff are determined by IAASA 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. Vacancies persisted during 2014 despite public advertisements by open competition.

Details of the approved, sanctioned and actual staff complements are set out in Table 4.1.

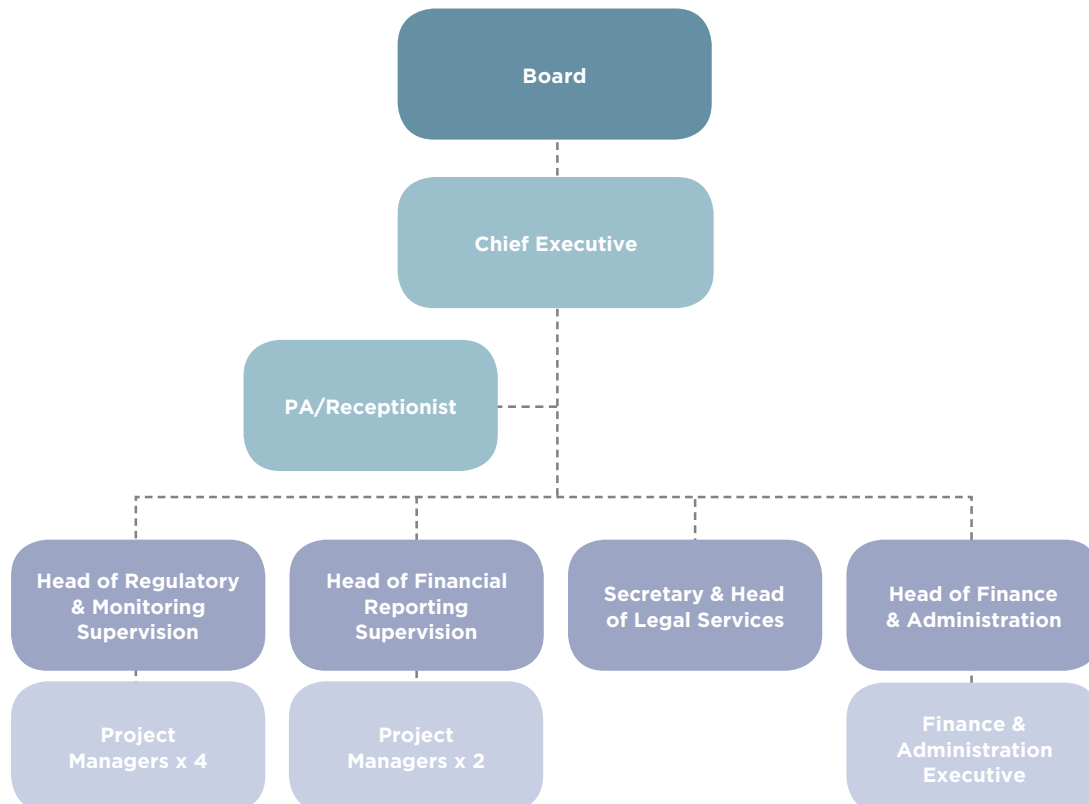
Table 4.1: Approved, sanctioned and actual staff complements as at year end

Grade	Approved	Sanctioned	Actual
Chief Executive	1	1	1
Heads of Function	4	4	4
Project Managers	8	8	6
Administrative Executive	1	1	1
Clerical Support Staff	1	1	1
Total	15	15	13

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.

2.3. Organisational chart

IAASA's organisational structure as at 31 December 2014, reflecting the actual staff complement at that date, was as set out in the organisation chart below.



3. Governance

3.1. Board of directors

IAASA 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 4.2. 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 their members on matters related to IAASA.

Table 4.2: Board of directors – nominating bodies

Nominating body	Nominees
Minister	2
Prescribed Accountancy Bodies (jointly by agreement)	3
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.

3.2. 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 2015. The Board composition at year end and changes in directors since the last Annual Report are tabulated in Appendix 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).

Helen Hall is an 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 serve as IAASA's Head of Regulatory & Monitoring Supervision from 2006 to 2012.

Deirdre Behan is a Principal Officer in the Business Taxes Division of the Revenue Commissioners and is responsible for corporation tax policy, legislation and interpretation. Previously, Deirdre managed the Financial Services (Banking) Branch in Revenue's Large Cases Division. Her career experience included a secondment to the Department of Finance where she worked on policy development for the International Financial Services Centre. Deirdre holds an M.Sc. in Taxation and is an Associate of the Irish Tax Institute.

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 Company Law Review Group ('CLRG') and the High Level Group on Business Regulation.

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.

David Devlin was a partner in PwC in Dublin until 30 September 2012. He continued with the PwC global network for a further year, most recently as Leader, Public Policy and Regulatory Affairs for PwC's network firms in Europe. David was a member of the EC European Corporate Governance Forum from 2005 to 2011. He is a past President of FEE, the European Federation of Accountants, having served two terms from 2002 to 2006. He was for two terms a member of International Federation of Accountants' ('IFAC') International Ethics Standards Board for Accountants, which is responsible for the profession's global Ethics Code. Previously he has been a member of the Supervisory Board of the European Financial Reporting Advisory Group, established to advise the EC, and of the Urgent Issues Task Force of the United Kingdom Accounting Standards Board (now Accounting Council of the FRC). David has been honoured with a Lifetime Achievement Award by the ICAI and with honorary life membership by both the ACCA in the UK and the ICPAI. He is a director of Our Lady's Children's Hospital Crumlin; a member of the Board of Management of CBC Monkstown; and chair of the European Corporate Governance Institute in Brussels.

Etain Doyle is an accountant and accredited executive coach with a varied portfolio including running a peer learning circle and coaching SME CEOs. Apart from Board membership of IAASA, she chairs the Business Leaders' Forum of the ACCA, serves as Director for the Association for Coaching Ireland and as Director for some not-for-profit organisations.

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.

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.

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 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.

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.

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.

Conor O'Mahony is currently a Principal Officer in the 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.

Muireann O'Neill is employed by Cork Institute of Technology and lectures for the ICAI. Muireann is a former director of the Board of Inland Fisheries Ireland ('IFI') and 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.

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.

3.3. 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 3.5, 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 IAASA 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.

3.4. Board meetings

During the year, the Board held 12 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 4.3.

Table 4.3: Directors' attendance at Board meetings

Director	Meetings attended/Meetings eligible to attend
Prof. Brendan Walsh (Chairperson)	12/12
Ms. Helen Hall (Chief Executive)	12/12
Ms. Deirdre Behan	9/12
Ms. Marie Daly	9/12
Ms. Máiréad Devine	10/11
Mr. David Devlin	3/6
Ms. Etain Doyle	5/6
Mr. Seán Hawkshaw	7/12
Mr. Paddy Keating	11/12
Mr. David Martin	4/6
Ms. Bernadette McGrory-Farrell	7/12
Ms. Sylvia McNeece	10/12
Ms. Aileen O'Donoghue	9/11
Mr. Kevin O'Donovan	6/6
Mr. Conor O'Mahony	8/9
Ms. Muireann O'Neill	11/11
Mr. Michael Quinlan	5/12

3.5. 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 4.4.

Table 4.4: Board Committees - mandates and membership

Committee	Mandate	Membership at 31 December 2014
Section 23 committees	In accordance with section 23 of the Act from time to time IAASA establishes PECs and Enquiry Committees for the purpose of determining whether a PAB has complied with its approved investigation and disciplinary procedures.	Board members are nominated to PECs/ Enquiry Committees as and when the need arises.
Section 24 committee	In accordance with section 24 of the Act from time to time IAASA establishes Preliminary Investigation Committees ('PICs') and Investigation Committees for the purpose of determining whether there has been a possible breach of standards by a PAB member.	Board members are nominated to PICs/ Investigation Committees as and when the need arises.
Audit	Monitoring the integrity of IAASA's financial statements, the effectiveness of IAASA's internal control and risk management systems and monitoring and reviewing the effectiveness of the internal and external audit processes.	<ul style="list-style-type: none"> • Mr. Conor O'Mahony (Chairperson) • Mr. Seán Hawkshaw • Ms. Muireann O'Neill

Whilst section 23 and 24 committees report to the Board on a regular basis, such reporting is concerned mainly with the progress of enquiries or investigations and other important issues relevant to the overall governance of IAASA (e.g. matters pertaining to litigation risk etc.). The Board does not receive reports regarding the subject matter of enquiries or investigations as committees operate independently of the Board and executive in discharging their mandates.

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 4.5 sets out how these roles were discharged in 2014. The audit committee met on three (2013:six) occasions during the year. In addition, during the year the audit committee had a discussion with IAASA's external auditors and the Comptroller & Auditor General ('C&AG') in compliance with the Code of Practice for the Governance of State Bodies ('the Irish Code').

Table 4.5: Audit committee activities

Charter Requirement	Actions taken during 2014
Internal controls and risk management systems (section 6.1)	<ul style="list-style-type: none"> The committee reviewed the System of Internal Financial Control ('SIFC') in conjunction with the internal auditor. The committee reviewed IAASA'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)	<ul style="list-style-type: none"> The committee reviewed the 2013 Financial Statements and recommended their approval by the directors. The committee reviewed the 2013 Annual Report to the Minister, and considered the Report understandable, consistent and unbiased.
Whistle-blowing (section 6.3)	<ul style="list-style-type: none"> Detailed 'whistle-blowing' procedures remained in place throughout the period.
Compliance with laws, regulations and the Irish Code (section 6.4)	<ul style="list-style-type: none"> As alluded to above, IAASA's internal auditor completed a detailed audit of the SIFC, including testing of IAASA's compliance with the Irish Code. The committee satisfied itself that no material instances of non-compliance arose during the year under review.
Internal audit (section 6.5)	<ul style="list-style-type: none"> The committee met with the internal auditors, BDO on two occasions during the year.
External audit (section 6.6)	<ul style="list-style-type: none"> As mandated by the Act, the C&AG remained and remains IAASA's external auditor. The C&AG carried out its audit of the 2013 Financial Statements and cleared said Statements for approval by the directors. A representative of the C&AG attended the AGM on 15 July 2014 and read the C&AG Audit Opinion.
Reporting responsibilities (section 6.7)	<ul style="list-style-type: none"> A report from the Chairperson of the audit committee to the Board was given at each Board meeting in 2014.
Other matters (section 6.8)	<ul style="list-style-type: none"> Based on an internal audit recommendation, the committee noted the compilation of an Employee Handbook during the year.

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 2014.

The audit committee reviewed the 2014 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.

4. Corporate Governance Statement

4.1. Introduction

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

In addition to complying with the Irish 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 IAASA applies the principles of the Irish Code, the UK Code (September 2014 version) 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 IAASA has complied with the provisions of the Irish Code, the UK Code and the Irish Annex.

4.2. Statement of compliance

IAASA has taken the following steps to ensure its ongoing compliance with the Irish 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 IAASA'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 Irish Code's requirements;
- developed a new risk management policy during 2014 containing policies and procedures designed to identify and quantify key business risks and to assist IAASA in the management of those risks;
- carried out a robust assessment of the principal risks facing the company;
- put in place a system of documented internal controls and related procedures, which addresses IAASA's obligations under public sector procurement requirements;
- adopted a whistle blowing procedure, i.e. whereby employees of IAASA 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 IAASA 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 IAASA.

IAASA'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 IAASA or with which IAASA did not otherwise consider it practicable or appropriate to comply, together with summary explanations for the associated reasons.

5. Other public sector and other governance obligations

5.1. Legal and governance obligations as a body established under statute

The Board is principally assisted in ensuring IAASA'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 IAASA's staff contribute as required to IAASA's ongoing compliance with its obligations.

5.2. Legal requirements under the Companies Acts

During the year, in compliance with IAASA's obligations as a company, the directors:

- held IAASA's eighth Annual General Meeting on 15 July 2014; and
- filed the company's Annual Return with the Registrar of Companies on 16 July 2014.

IAASA has taken the steps necessary to ensure that, in compliance with section 202 of the 1990 Act, proper books and accounting records are maintained. Similarly, the Secretary is charged with maintaining IAASA's statutory Registers and ensuring that all filings are made to the Registrar of Companies within prescribed timeframes.

5.3. Principal legal requirements under other legislation

IAASA 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 IAASA 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 IAASA by virtue of it not having been designated for such purposes at this time.

2014 FINANCIAL &
RELATED STATEMENTS

Report of the Directors

Introduction

The directors are pleased to submit to the ninth Annual General Meeting of the Irish Auditing and Accounting Supervisory Authority ('IAASA') the financial statements for the year ended 31 December 2014, together with the Report of the Directors, which has been prepared pursuant to the provisions of section 325 of the Companies Act 2014 ('the 2014 Act').

Directors and secretary

The directors and secretary of IAASA as at 31 December 2014 were:

Member	Nominating body	Commencement of term of office
Professor Brendan Walsh (Chairperson)	Ministerial nominee	3 January 2013
Ms. Helen Hall (Chief Executive)	<i>Ex-officio</i>	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. David Devlin	Prescribed Accountancy Bodies	30 May 2014
Ms. Etain Doyle	Prescribed Accountancy Bodies	30 May 2014
Mr. Seán 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. Conor O'Mahony	Director of Corporate Enforcement	1 March 2012
Ms. Aileen O'Donoghue	Irish Stock Exchange	3 January 2014
Ms Muireann O'Neill	Ministerial nominee	1 September 2012
Mr. Michael Quinlan	Law Society of Ireland	3 January 2011
Secretary	Mr John G O'Malley, Head of Legal Services, IAASA	15 April 2008

The following were not directors at the reporting date, having either ceased to hold office during the year or been appointed since 1 January 2015:

Member	Nominating body	Commencement of term of office	Cessation of term of office
Mr. David Martin	Prescribed Accountancy Bodies	30 May 2011	29 May 2014
Mr. Kevin O'Donovan	Prescribed Accountancy Bodies	30 May 2011	29 May 2014
Mr. Gerard Scully	Irish Stock Exchange	11 July 2007	2 January 2014

Principal activities

IAASA was incorporated as a company limited by guarantee on 20 December 2005 and is the independent statutory body in Ireland responsible for the:

- (a) examination and enforcement of certain listed entities' periodic financial reporting; and
- (b) supervision of the regulatory functions of the Prescribed Accountancy Bodies ('PABs').

IAASA has also been designated as the competent authority for the registration and quality assurance of certain third country auditors and audit entities. The company does not trade for the acquisition of gain by its members.

Business Overview

An overview of IAASA's activities and future developments is given in the annual report.

Financial position

The assets and liabilities and financial position of the company are set out in detail in the financial statements on pages 51 to 69.

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 and adopted for the purpose of facilitating the identification, quantification and management of the key business risks facing IAASA.

Proper Books of Account

To ensure that proper books of account are maintained in accordance with the requirements of sections 281 to 286 of the 2014 Act, 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.

Events after the end of the reporting period

No events have occurred subsequent to the reporting 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 927(2) of the 2014 Act.

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

Brendan Walsh
Chairperson

Helen Hall
Chief Executive

15 June 2015

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 is comprised 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 2014, 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 2015

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 2014 Act. 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 927(1) of the 2014 Act further provides that IAASA '... shall keep records of, and prepare all proper and usual accounts of –

- (a) all income received by it, including records of the sources of that income,
- (b) all expenditure incurred by it, and
- (c) its assets and liabilities'.

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

Brendan Walsh
Chairperson

Helen Hall
Chief Executive

15 June 2015

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 2014 under the Companies Act 2014. The financial statements, which have been prepared under the accounting policies set out therein, comprise the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is the Companies Act 2014 and Financial Reporting Standard 102.

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 and otherwise comply with the Companies Act 2014 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 of the assets, liabilities and financial position of the Authority as at 31 December 2014 and of its shortfall for 2014;
- have been properly prepared in accordance with FRS 102; and
- have been properly prepared in accordance with the Companies Act 2014.

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

- statement of financial position — €19,000 (2% of total assets at 31 December 2014)

- statement of comprehensive income — €25,000 (1.25% of expenditure in 2014)

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 Act 2014

I have obtained all the information and explanations that I consider necessary for the purpose of my audit. In my opinion, the accounting records of the Authority were sufficient to permit the financial statements to be readily and properly audited. The financial statements are in agreement with the accounting records.

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 are fair, balanced and understandable and provide 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 disclosures of directors' remuneration and transactions as specified by the Companies Act 2014 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 2015

Irish Auditing & Accounting Supervisory Authority
Statement of Financial Position as at 31 December, 2014

	Note	2014 €	2013 €
Non-current assets			
Property, Plant & Equipment	4	13,705	10,857
Deferred Finance Lease Costs		1,292	-
		<u>14,997</u>	<u>10,857</u>
Current Assets			
Inventory		2,198	3,535
Receivables		14,496	20,761
Deferred Finance Lease Costs		841	-
Cash & Cash Equivalents	5	919,013	971,098
		<u>936,548</u>	<u>995,394</u>
Creditors: Amounts falling due within 1 year			
Payables	6	186,577	108,006
Deferred Rent Incentive	7	1,452	1,452
Finance lease obligations	8	2,242	-
Excess PAB Levy Income	9	276,705	400,126
Excess Departmental Grant Income	9	28,637	21,621
		<u>495,613</u>	<u>531,205</u>
Net Current Assets		440,935	464,189
Amounts falling due after 1 year			
Deferred Rent Incentive		14,584	16,036
Finance lease obligations		8,412	-
		<u>22,996</u>	<u>16,036</u>
Net Assets before Retirement Benefits		432,936	459,010
Retirement Benefits			
Retirement Benefit Liability	10	(1,743,000)	(1,055,000)
Deferred Exchequer Retirement Benefit Funding	10	1,743,000	1,055,000
Net Assets after Retirement Benefits		432,936	459,010
Reserves			
Income reserve		-	-
Capital Account	11	13,705	10,857
Reserve Fund		419,231	448,153
Members' Funds		432,936	459,010

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

Brendan Walsh
Chairperson

Helen Hall
Chief Executive

15 June 2015

Irish Auditing & Accounting Supervisory Authority
Statement of Comprehensive Income for the year ended 31 December, 2014

	Note	2014 €	2013 €
Revenue	12	1,980,136	1,955,267
Administrative Expenses			
Staff Costs	13	1,335,831	1,374,359
Directors' Fees	14	65,835	65,835
Accommodation		160,870	163,552
Travel & Subsistence		66,450	62,940
Legal and Professional Services	15	195,532	157,699
Office Expenditure		62,655	57,749
Information Technology		34,414	18,662
Professional Development		51,882	27,470
Insurance		23,229	24,074
Auditor's Remuneration	16	10,500	10,500
Depreciation		8,388	8,259
Total Administrative Expenses		2,015,586	1,971,099
(Shortfall) of Income over Admin Expenses before Finance Costs		(35,450)	(15,832)
Finance costs		450	-
(Shortfall) of Income over Admin Expenses after Finance Costs		(35,900)	(15,832)
Finance Income	17	9,826	15,754
(Shortfall) for the year		(26,074)	(78)
Other comprehensive income			
Experience gains on pension scheme liabilities		13,000	96,000
Changes in assumptions		(499,000)	93,000
Actuarial gain/(loss) on pension liabilities		-	-
Adjustment to deferred Exchequer pension funding		486,000	(189,000)
Total recognised (shortfall) for the year		(26,074)	(78)
<i>Memorandum:</i>			
(Shortfall) for the year		(26,074)	(78)
Transferred (to)/from Capital Account		(2,848)	7,617
Transferred from/(to) Reserve Fund		28,922	(7,539)
Surplus for the year after Transfers		-	-

The results for the year relate to continuing operations.

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

Brendan Walsh
Chairperson

Helen Hall
Chief Executive

15 June 2015

Irish Auditing & Accounting Supervisory Authority
Statement of Changes in Equity for the year ended 31 December, 2014

	Income Reserve	Capital Account	Reserve Fund	NET ASSETS
	€	€	€	€
Balance - 1 January 2013	-	18,474	440,614	459,088
(Shortfall) for the year	(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	(7,539)	-	7,539	-
Amounts receivable in respect of fines (S. 23)	-	-	-	-
Actuarial gain on pension liabilities	189,000	-	-	189,000
Adjustment to deferred Exchequer pension funding	(189,000)	-	-	(189,000)
Balance - 31 December 2013 / 1 January 2014	-	10,857	448,153	459,010
(Shortfall) for the year	(26,074)	-	-	(26,074)
Transfer from Income & Expenditure Account:				-
Income applied to capitalised asset acquisitions	(11,236)	11,236	-	-
Less: Amortisation applied in line with asset depreciation	8,388	(8,388)	-	-
Income received on Reserve Fund monies	(4,741)	-	4,741	-
Amounts receivable in respect of fines (S. 23)	(22,000)	-	22,000	-
Amounts payable from Reserve Fund (S. 24)	55,663	-	(55,663)	-
Actuarial (loss) on pension liabilities	(486,000)	-	-	(486,000)
Adjustments to deferred Exchequer pension funding	486,000	-	-	486,000
Balance - 31 December 2014	-	13,705	419,231	432,936

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

Brendan Walsh
Chairperson

Helen Hall
Chief Executive

15 June 2015

Irish Auditing & Accounting Supervisory Authority
Statement of Cash Flows for the year ended 31 December, 2014

	Note	2014 €	2013 €
Net Cash (Outflow) from Operating Activities	19	(51,467)	(17,255)
Cash flows from financing activities			
Interest Received		10,618	14,798
Cash flows from investing activities			
Payments to Acquire Tangible Fixed Assets		(11,236)	(642)
(Decrease) in Cash & Cash Equivalents in Year		(52,085)	(3,099)
Reconciliation of Net Cash Flow to Movements in Net Funds			
(Decrease) in Net Funds in Year	20	(52,085)	(3,099)
Net Funds at 1 January		971,098	974,197
Net Funds at 31 December		919,013	971,098

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

Brendan Walsh
Chairperson

Helen Hall
Chief Executive

15 June 2015

Irish Auditing & Accounting Supervisory Authority Notes to Financial Statements

1 Basis of Preparation

These financial statements have been prepared under the historic cost convention in accordance with applicable legislation and with FRS 102 *The Financial Reporting Standard applicable in the United Kingdom and Ireland* issued by Financial Reporting Council in the UK for use in Ireland. While mandatory adoption of FRS 102 is applicable for accounting periods beginning 1 January 2015, IAASA has voluntarily elected to apply the Standard. These are the Authority's first set of accounts prepared under FRS 102.

As the company does not trade for the acquisition of gain by its members, the directors have determined that the preparation of a Statement of Comprehensive Income disclosing the surplus or shortfall for the year rather than a Profit & Loss account is appropriate as provided for in Section 291(5) of the 2014 Act. Similarly, the Statement of Financial Position contains all information that would otherwise be disclosed in the Balance Sheet.

In accordance with FRS 102, these Financial Statements comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements

2 Transition to FRS 102

The date of transition to FRS 102 is 1 January 2013. Transition to FRS 102 has had no material impact on the amounts disclosed in the primary statements in the financial year, nor on the comparative amounts for the year ended 31 December 2013. There have been no changes to the accounting policies applied by IAASA as a result of the transition. The shortfall for the year ended 31 December 2013 remains as reported under the Financial Statements approved prior to the adoption of FRS 102.

3 Accounting policies applied

3.1 Non-current Assets - depreciation

Non-current assets are stated in the Statement of Financial Position at cost less accumulated depreciation. Depreciation is charged to the Statement of Comprehensive Income on a straight line basis, with the charge being calculated over assets' expected useful lives.

3.2 Non-current Assets purchased prior to establishment

Non-current assets owned and controlled by IAASA have been recorded by the Authority on the date of transition at cost. In addition to these assets, and as detailed in Note 4, IAASA has the use of certain assets which were purchased by the Department of Jobs, Enterprise & Innovation ('the Department') prior to the Authority's establishment. Section 2 of FRS 102 defines an asset as "a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity". These assets remain the property of the Department. Their return may be sought at any time. In the event of their sale, or the dissolution of the Authority, the asset/proceeds remain the property of the Department. In light of the foregoing, the Directors are satisfied that these assets are not assets of the Authority, and are properly omitted from the Authority's Statement of Financial Position.

3.3 Retirement Benefits

The position regarding IAASA's superannuation schemes is as set out in Note 10. Section 28.10(a) of FRS 102 defines Defined Contribution schemes as "post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and has no legal or constructive obligation to pay further contributions or to make direct benefit payments to employees if the fund does not hold sufficient assets to pay all employee

benefits relating to employee service in the current and prior periods. Thus, the amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by an entity (and perhaps also the employee) to a post-employment benefit plan or to an insurer, together with investment returns arising from the contributions". All other schemes are to be treated as Defined Benefit schemes.

In substance, the directors consider that the obligation to pay retirement benefits 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. Notwithstanding that the Exchequer has confirmed that it will bear all liabilities arising to IAASA employees (and their spouses, civil partners and children) in return for a fixed contribution, the Directors remain of the view that the contractual obligation remains between the Authority and its employees. Consequently, the directors continue to account for the schemes as Defined Benefit schemes. Accordingly, the financial statements recognise both a Retirement Benefit Obligation and a Deferred Exchequer Retirement Benefit Funding receivable.

3.4 Inventory

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.

3.5 Revenue

In accordance with section 921(1) of the 2014 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 921(2) 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 further below.

3.5.1 Exchequer grant income via the Department

Section 914(2) of the 2014 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, be paid to IAASA out of monies provided by the Oireachtas. The Department has stipulated that the grant that will be paid in any given financial period will be such as to meet 40% of IAASA's expenditure in that period. Accordingly, grant income recognised in the Statement of Comprehensive Income represents the amount necessary to meet 40% of IAASA's net expenditure in the year. Any timing differences arising at the reporting 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.

3.5.2 Prescribed Accountancy Bodies' Levies

Section 916(2) of the 2014 Act also provides that IAASA may impose one or more levies on the PABs with the consent of the Minister for the purpose of meeting up to 60% of its approved Programme of Expenditure. The aggregate of the PABs' levies are apportioned on the basis of criteria submitted to, and approved by, the Minister. Given that statutory levies imposed on the PABs are designed to meet 60% of IAASA's expenditure in the period, PAB levy income recognised in the Statement of Comprehensive Income represents the amount necessary to meet 60% of IAASA's net expenditure in the period. Any timing differences arising at the reporting 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.

3.5.3 Reserve Fund

Section 919(1) of the 2014 Act provides that IAASA shall maintain a Reserve Fund, to be used only for the purposes of performing its functions or exercising its powers under section 933 of the 2014 Act. Exchequer Reserve Fund grant income and PAB Reserve Fund levies respectively, if arising, 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. No such income has been approved by the Minister since 2007 pursuant to the corresponding provisions of the Companies (Auditing & Accounting) Act 2003 ('the 2003 Act'). Sections 933(5), 933(6) and 934(7) of the 2014 Act provide that fines may be levied on PABs and members of PABs 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. Fine income accounted for on the date of the statutorily required High Court approval. Movements in the Reserve Fund are set out in the Statement of Changes in Equity

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

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. As is the case with IAASA's other sources of Exchequer income, the amount provided by the Department is such as to meet the amount expended in the year, and, accordingly, the grant income recognised in the Statement of Comprehensive Income represents an amount equivalent to said expenditure. Any timing differences arising at the reporting date between the expenditure in the period and amounts received from the Department are, therefore, reflected as a debtor or grant income carried forward.

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

Third country (i.e. non-EU Member States) auditors and audit entities which audit the annual or consolidated accounts of certain companies must register with IAASA for their audit report to have legal validity in the State. IAASA has been designated as a competent authority for such registration, which is normally effected under the provisions for "full registration". There are provisions whereby auditors and audit entities from certain third countries may, subject to certain provisions, register under Transitional Regulations. Registration fees for both types of registration are specified by the Minister for Jobs, Enterprise, Innovation ('the Minister') and are charged annually. 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.

3.5.6 Finance income

Bank interest receivable on non-Reserve Fund monies is included as recurrent income, and carried forward as described above. Bank interest receivable on monies on deposit in the Reserve Fund is retained in the Reserve Fund. In both cases, bank interest is recognised in the Statement of Comprehensive Income on a receivable basis.

3.6 Key management personnel

The Responsibility for planning, directing and controlling the activities of IAASA rests exclusively with the Board of directors and the Chief Executive, who is also a director. All payments made to these key management personnel are set out in Notes 14 and 22 respectively.

4 Non-current assets

	IT Equipment	Office Equipment	Furniture & Fittings	Total
Rate of Depreciation	33.33%	20%	12.5%	
	€	€	€	€
Cost				
At 1 January, 2014	39,393	7,290	11,817	58,500
Additions	99	9,843	1,294	11,236
Disposals	-	-	-	-
At 31 December, 2014	<u>39,492</u>	<u>17,133</u>	<u>13,111</u>	<u>69,736</u>
Accumulated Depreciation				
At 1 January, 2014	34,797	6,845	6,001	47,643
Charge for year	4,417	2,364	1,607	8,388
At 31 December, 2014	<u>39,214</u>	<u>9,209</u>	<u>7,608</u>	<u>56,031</u>
NET BOOK VALUE				
At 1 January, 2014	4,596	445	5,816	10,857
At 31 December, 2014	<u>278</u>	<u>7,924</u>	<u>5,503</u>	<u>13,705</u>

Further to a commitment given to the PABs by the Minister for Jobs, Enterprise & Innovation ('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 non-current 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	<u>715,081</u>

The notional Net Book Value of these assets at the reporting date, had they been capitalised and depreciated in accordance with IAASA policies, would be nil [2013: nil].

Irish Auditing & Accounting Supervisory Authority
Notes to Financial Statements

5 Cash and cash equivalents

	2014	2013
	€	€
Bank - notice deposit (Reserve)	473,024	444,455
Bank - notice deposit (Non-Reserve)	392,096	388,132
Bank - current	53,833	138,413
Cash on Hand	60	98
Total cash & cash equivalents	919,013	971,098

€417,361 [2013: €444,455] of the funds held in the Authority's bank accounts at 31 December, 2014 relate to the Reserve Fund and can only be used for the purposes as set out in Note 3.5.3.

6 Payables

	2014	2013
	€	€
Pay and Pay-Related	11,210	13,069
Office of the Revenue Commissioners	12,171	7,642
Legal and Professional Services	114,029	44,493
Other	49,167	42,802
	186,577	108,006

7 Lease of Accommodation, Deferred Rent Incentive

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 Statement of Comprehensive Income in the year to which they relate.

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. 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 Statement of Comprehensive Income over the period of the lease.

The value of the incentive at 31 December 2014, to be released to the Statement of Comprehensive Income:	€
- within one year	1,452
- in two to five years	5,808
- in more than five years	8,776
	16,036

8 Finance Costs

IAASA acquired office equipment in August 2014 by way of finance lease. The period of the lease is 63 months, and total payments of €11,776 will be made in this period. At the end of the lease period, ownership of assets (with a cash value of €9,193 in August 2014) will pass to IAASA.

The value of the financial obligation accruing to IAASA as at 31 December 2014:	€
- within one year	2,242
- in two to five years	8,412
- in more than five years	-
	10,654

9 Exchequer Grant Debtor/PAB Levy Carry Forward

9.1 Calculation of Net Expenditure

	2014 €	2013 €
Gross Expenditure per Statement of Comprehensive Income	2,015,586	1,971,099
Adjust for:		
Unamortised amount of income used for capital acquisitions	2,848	(7,617)
Finance costs	450	-
Expenditure related to S. 934 Enquiries (Note 3.5.3)	(55,663)	-
	1,963,221	1,963,482
Less:		
Miscellaneous Income	1,400	2,000
Non-reserve fund interest receivable	5,085	8,215
Income from third country audit entity registration	60,920	60,450
Net Expenditure for the year	1,895,816	1,892,817
Net expenditure attributable to the Exchequer		
i. Transparency Directive (100%)	229,581	273,477
ii. Excess income from Third Country Audit Entities (Note 3.5.5)	(20,920)	(20,450)
iii. Obligations under the Act (40%)	674,862	655,916
Net expenditure attributable to the PABs	1,012,293	983,874
	1,895,816	1,892,817

9.2 Calculation of Grant Debtor / Levy Carry Forward

	Exchequer €	PABs €	TOTAL €
Balance at 1 January, 2014	(21,621)	(400,126)	(421,747)
Attributable net expenditure	883,523	1,012,293	1,895,816
Grants/Levies received in the year	(890,539)	(888,872)	(1,779,411)
(Levy Carry Forward) at 31 December, 2014	(28,637)	(276,705)	(305,342)

Irish Auditing & Accounting Supervisory Authority Notes to Financial Statements

10 Retirement Benefits

10.1 Overview

Section 926(1) of the 2014 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 schemes, which were submitted pursuant to the corresponding provision of the 2003 Act, were approved by the Ministers on 29 November 2010 and 5 December 2012 respectively. 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% [2013: 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.

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 Comprehensive Income 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 Statement of Comprehensive Income to the extent that they exceed or fall short of pension costs respectively as described above.

10.2 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 31-12-2014	At 31-12-2013
Rate of increase in salaries	2.50%	3.00%
Rate of increase in pensions in payment	2.00%	2.50%
Discount rate	2.25%	3.75%
Inflation assumption	1.50%	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 €1,743,000 [2013: €1,055,000], and the service cost (calculated on the foregoing assumptions) for the year is €162,000 [2013: €179,000]. 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.

10.3 Analysis of total pension costs charged to Statement of Comprehensive Income

	2014	2013
	€	€
Total employer contribution	245,295	251,909
*Current service cost	162,000	179,000
Interest cost	40,000	42,000
Adjustment to deferred Exchequer pension funding	(202,000)	(221,000)
Total charged to Statement of Comprehensive Income	245,295	251,909

*Employee contributions totalling €50,101 [2013: €52,366] have been included in the calculation of the current service cost.

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10.4 Movement in net pension liability

	2014	2013
	€	€
Net Pension Liability at 1 January	1,055,000	1,023,000
Current Service Cost	162,000	179,000
Interest Cost	40,000	42,000
Experience (gains) on scheme liabilities	(13,000)	(96,000)
Changes in assumptions	499,000	(93,000)
Pensions paid in the year	-	-
Net Pension Liability at 31 December	1,743,000	1,055,000

10.5 History of scheme liabilities and experience (gains)/losses

	2014	2013	2012	2011	2010
	€	€	€	€	€
Scheme liability	1,743,000	1,055,000	1,023,000	569,000	434,000
Experience (gains) on scheme liabilities	(13,000)	(96,000)	(17,765)	(4,930)	(50,200)
Changes in assumptions	499,000	(93,000)	317,000	-	-

11 Capital Account

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

12 Revenue

12.1 Approved Programme of Expenditure

IAASA's Programme of Expenditure for the year, as approved by the Minister under section 911(1) of the 2014 Act was €2,148,000 [2013: €2,307,000] as laid out below. In addition, Exchequer funding (via the Department) to a maximum of €351,000 [2013: €383,000] was made available during the year in respect of IAASA's functions under the Transparency Directive.

	Exchequer (40%)	PABs (60%)	Total
	€	€	€
Recurrent Expenditure	859,000	1,289,000	2,148,000
Approved allocation in respect of Transparency Directive	351,000	-	351,000
Total	1,210,000	1,289,000	2,499,000

12.2 Analysis of Income

	2014	2013
	€	€
Recurrent Income under the Act		
Exchequer Grant Income	653,942	635,466
PABs' Levies	1,012,293	983,874
Reserve Fund Income		
Exchequer Grant Income	-	-
PABs' Levies	-	-
Amounts receivable in respect of fines (Section 933)	22,000	-
Income in respect of Transparency Directive Activity		
Exchequer Grant Income	229,581	273,477
Income in respect of Third Country Audit Entity Registration		
Registration fees received from Third Country Audit Entities	60,920	60,450
Miscellaneous Income		
ICAI contribution to legal costs	1,400	2,000
	1,980,136	1,955,267

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13 Staff Costs

	2014	2013
	€	€
Salaries	992,050	1,021,280
Employer PRSI Contributions	98,486	101,170
Employer Retirement Benefit Contributions	245,295	251,909
	1,335,831	1,374,359

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 €72,398 [2013: €79,677].

The average number of employees during the year was 13 [2013: 13]. IAASA's complement of full time staff at 31 December, 2014 was 13 [2013: 13].

14 Board fees and expenses

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.

	2014	2013
	€	€
Professor Brendan Walsh	11,970	11,970
Marie Daly	7,695	7,695
David Devlin	4,554	-
Etain Doyle	4,554	-
Seán Hawkshaw	7,695	7,695
Bernadette McGrory-Farrell	7,695	7,695
David Martin	3,141	7,695
Aileen O'Donoghue	7,695	-
Kevin O'Donovan	3,141	7,695
Michael Quinlan	7,695	7,695
Gerard Scully	-	7,695
	65,835	65,835

In addition, a total of €3,078 [2013: €3,821] 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. Expenses paid to or incurred on behalf of the Chief Executive, who is also a Board member, totalled €16,305 [2013: €11,328], as detailed in Note 22.

15 Legal & Professional Services

	2014	2013
	€	€
Financial Statement Review (Transparency Directive)	27,327	70,433
Committees of Enquiry - Section 23 (2003 Act)/933 (2014 Act)	32,017	14,261
Committees of Enquiry - Section 24 (2003 Act)/934 (2014 Act)	55,663	-
Legal Advice	18,116	35,303
Internal Audit & Actuarial Services	14,296	13,687
PAB review	13,590	18,942
Organisational review	19,458	-
PR Services	14,760	387
HR/Medical	305	4,686
	195,532	157,699

16 Auditor's remuneration

	2014	2013
	€	€
Audit of company financial statements	10,500	10,500

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

17 Finance income - analysis of interest receivable

	Notice deposit Reserve	Notice deposit Non-Reserve	TOTAL 2014	TOTAL 2013
	€	€	€	€
Gross interest receivable	8,036	8,619	16,655	23,989
DIRT	(3,295)	(3,534)	(6,829)	8,235
Net interest receivable	4,741	5,085	9,826	15,754

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18 Reconciliation of Surplus for the year to Net Cash from Operating Activities

	2014 €	2013 €
(Shortfall) for the year	(26,074)	(78)
Non Operating Items:		
Less: Finance income	(10,618)	(14,798)
	(36,692)	(14,876)
Add:		
Increase/(Decrease) in Payables	78,571	(47,329)
(Decrease)/Increase in Excess PABs Levy Income	(123,421)	15,774
Increase in Excess Departmental Grant Income	7,016	21,621
Decrease in Grant Income Due from Department	-	6,847
Decrease/(Increase) in Receivables	6,265	(4,599)
Decrease/(Increase) in Inventory	1,337	(1,500)
(Increase) in Deferred Finance Lease Costs	(2,133)	-
Increase in Finance Lease Obligations	10,654	-
(Decrease) in Deferred Rent Incentive	(1,452)	(1,452)
Depreciation	8,388	8,259
	(14,775)	(2,379)
Net Cash (Outflow) from Operating Activities	(51,467)	(17,255)

19 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, 2014	138,511	388,132	444,455	971,098
Cash flow for year	(84,618)	3,964	28,569	(52,085)
Balance at 31 December, 2014	53,893	392,096	473,024	919,013

20 Taxation

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').

21 Financial Commitments

21.1 Capital Commitments

There are no capital commitments as at 31 December, 2014.

21.2 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 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.

22 Chief Executive's salary and expenses

The Chief Executive's remuneration for the year totalled €115,059 [2013: €118,480]. This is the amount approved by the Minister with the consent of the Minister for Public Expenditure & Reform. The Chief Executive was not entitled to receive a Board fee, and the Performance Related Bonus Scheme was not in operation in 2014. The Chief Executive is a member of IAASA's Employee and Spouses, Civil Partners & Children's Superannuation Schemes (as detailed in Note 10), and the relevant employer contribution in this regard was €25,981 [2013: €26,025]. The foregoing represents the Chief Executive's total remuneration package for the period.

The Chief Executive is an *ex-officio* director of the company. Expenses incurred directly by the Chief Executive in the performance of her duties and/or by IAASA on behalf of the Chief Executive are disclosed hereunder.

	2014	2013
	€	€
Professional memberships (subject to BIK where applicable)	1,465	565
Travel & Subsistence, incl. air fares	10,736	8,933
Mobile phone costs	922	850
Internet Services	526	868
Training	2,280	-
Incidentals	376	112
	16,305	11,328

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23 Related Party Transactions

23.1 Directors

Details of all payments made to IAASA non-executive directors and the Chief Executive are set out in Notes 14 and 22 respectively. There were no other transactions with directors during the year [2013: nil], and no balances outstanding at the reporting date [balance at 31 December 2013: nil].

23.2 Key management personnel

The responsibility for planning, directing and controlling the activities of IAASA rests exclusively with the Board of directors and the Chief Executive, who is also a director. As alluded to above, all payments made to these key management personnel are set out in Notes 14 and 22 respectively.

23.3 Other related parties

There were no other related party transactions during 2014 or 2013 and there were no amounts outstanding at either year end.

24 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 14. There were no occasions whereby a Board Member disclosed a financial interest during 2014.

25 Approval of the Financial Statements

The Financial Statements were approved and authorised for issue by the Board of directors on 9 June 2015.

APPENDICES

APPENDIX 1

Board membership at year end and changes in composition since last Annual Report

Composition of Board at 31 December 2014

Board member	Occupation	Nominating body	Date appointed
Brendan Walsh (Chairperson)	Professor Emeritus UCD	Minister	3 January 2013
Helen Hall*	Chief Executive	<i>Ex-officio</i>	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
David Devlin*	Accountant	PABs	30 May 2014
Etain Doyle*	Accountant	PABs	30 May 2014
Seán Hawkshaw	Managing Director, Kleinwort Benson Investors	IAIM	3 January 2006
Paddy Keating	Trade Unionist	ICTU	3 January 2013
Bernadette McGrory-Farrell*	Partner, Farrell & Company	PABs	3 January 2013
Sylvia McNeece	Head of Legal and Corporate Services, Pensions Authority	Pensions Authority	3 January 2012
Aileen O'Donoghue	Director of Strategy, Policy and Communication, ISE	ISE	3 January 2014
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

* 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
David Devlin*	30 May 2014	PABs	Expiration of term of office of Mr. Kevin O'Donovan	Three years
Etain Doyle*	30 May 2014	PABs	Expiration of term of office of Mr. David Martin	Three years
Aileen O'Donoghue	3 January 2014	Irish Stock Exchange	Expiration of term of office of Mr. Gerard Scully	Three years
Conor O'Mahony	3 January 2014	ODCE	Expiration of own term of office	Three years
Michael Quinlan	3 January 2014	Law Society	Expiration of own term of office	Three years

* Denotes membership of a Prescribed Accountancy Body

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 IAASA'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 IAASA's expense, independent counsel and other advisers as it deems necessary to carry out its duties;
- invite officers or employees of IAASA 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.⁴

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 IAASA 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 IAASA'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 IAASA ceases to be a Director of IAASA 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

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

⁴ 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 IAASA 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 IAASA as presented by management on a bi-annual basis.
- 6.1.7 Receive, review and discuss reports from the Heads of Functions in IAASA on a quarterly basis on matters arising from the activities of the Functions which, by reference to the Register of Risks of IAASA, may give rise to a material financial or reputational risk for IAASA.
- 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 IAASA and the operations and lacks bias.

6.3 Whistle-blowing

6.3.1 The Committee shall review IAASA'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 IAASA's legal counsel regarding compliance matters that may have a material impact on IAASA's financial statements or compliance policies.

6.4.3 Consider and recommend to the Board, whether IAASA 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.

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 IAASA.
- 6.5.4 Review and assess the annual internal audit plan.
- 6.5.5 Review promptly all reports on IAASA 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

Activity	Planned output 2014	Actual Output & Commentary
Strategic Goal I: To deliver independent and effective supervision of financial reporting which promotes high quality financial reporting and which responds to non-compliance robustly, promptly and proportionately		
Review and refine risk assessment processes to identify the more significant risks in issuers' periodic financial reports.	<ul style="list-style-type: none"> Development of issuer risk matrix and detailed annual work plan for 2014. 	<ul style="list-style-type: none"> Issuer risk matrix developed; Detailed 2014 annual work plan prepared.
Conduct annual programmes of examinations of financial reports utilising a range of approaches including full scope, focused, thematic and follow-up reviews across annual and half-yearly financial reports to identify instances of material non-compliance.	<ul style="list-style-type: none"> 5 unlimited scope examinations; 5 focussed examinations; approximately 10 follow-up examinations; 26 overviews of equity issuers' preliminary announcements; and Four thematic examinations of a sample of equity issuers' annual financial statements. 	<ul style="list-style-type: none"> 5 full scope/unlimited scope examinations; 10 focused examinations; 12 follow-up examinations; 25 overviews of issuers' preliminary announcements and periodic financial statements; and 2 thematic examinations (IAS 7 and APMs).
Engage with entities' directors to secure improvements in future financial reports and take formal enforcement measures where warranted.	<ul style="list-style-type: none"> Securing undertakings and re-filings in response to identified instances of non-compliance with the relevant reporting framework. 	<ul style="list-style-type: none"> Examinations undertaken resulted in 11 issuers providing a total of 21 undertakings in respect of future periodic financial statements.
Assist other regulatory agencies in respect of financial reporting matters and entities under common remit and make referrals in respect of matters of concern to relevant regulatory agencies.	<p>Active formal and informal interactions with other regulatory bodies on financial reporting standards, legislative and enforcement matters such as:</p> <ul style="list-style-type: none"> Central Bank; Irish Stock Exchange; Accounting Council of the UK Financial Reporting Council ('AC FRC'); International Accounting Standards Board ('IASB'); IFRS Interpretations Committee ('IFRS-IC'); Other EU accounting enforcers; and ICAI (as promulgator of FRSs in Ireland). 	<ul style="list-style-type: none"> IAASA attended 8 AC FRC meetings in 2014; Engaged with the FRC on the development of FRED 54 (FRS 102) and FRED 56 (FRS 104); and with ICAI on the supply of Irish legal references; Engaged extensively with the IASB as outlined in Chapter 2; Met with IFRS-IC and IASB representatives; and Engaged with other regulatory agencies throughout the year.

Activity	Planned output 2014	Actual Output & Commentary
<p>Incorporate European Securities & Markets Authority ('ESMA') Common Enforcement Priorities into the annual programme of examinations and conduct examinations as requested by ESMA.</p>	<ul style="list-style-type: none"> ESMA's 2013 Common Enforcement Priorities ('CEPs') embedded into 2014 financial statement examinations⁵; Participation in any ESMA mandated surveys on results of CEPs examinations; and Input to development of ESMA's 2014 CEPs to be examined in 2015. 	<ul style="list-style-type: none"> Participated in supply of information to ESMA and participated in ESMA surveys on application of IFRS across the EU from an Irish perspective; To the extent allowed by resources, embedded ESMA CEPs into IAASA's processes; and Contributed to the selection of ESMA 2015 CEPs selection.
<p>Participate at the ESMA sponsored European Enforcer Coordination Sessions ('EECS').</p>	<p>Continued participation in EECS by:</p> <ul style="list-style-type: none"> Attendance at all 9 EECS meetings in 2014; Submission of emerging cases to EECS; Mandatory submission of IAASA enforcement decisions to the EECS database; Participation in ESMA mandated 2014 common enforcement priorities questionnaires. 	<ul style="list-style-type: none"> Attended 8 of 9 EECS plenary meetings held in the year; Submitted 4 decisions to the EECS Decisions Database; Presented 3 decisions and 3 emerging cases and 3 IAASA publications to EECS plenary sessions; Actively engaged with IASB and IFRS-IC representative at the 2 EECS meetings which they attended; and To the extent allowed by resources, completed ESMA mandated surveys on ESMA CEPs and surveys.
<p>Explore options, including legislative amendment, to provide for greater transparency of activities in respect of individual issuers.</p>	<ul style="list-style-type: none"> Liaised with the Department to amend Section 31 of the 2003 Act in the forthcoming Companies Act 2014; and development proposals for amendments to Regulation 75 of the 2007 Transparency Directive Regulations. 	<ul style="list-style-type: none"> Section 31 of the 2003 Act amended and re-enacted in the Companies Act 2014 in a manner allowing for greater transparency following close liaison with the Department; and SI 44 of 2015 signed into law allowing for greater transparency in reporting the outcome of financial reporting enforcement decisions.

⁵ The 2013 ESMA CEPs embedded into IAASA's 2014 financial statement examinations are:

- (a) Impairment of non-financial assets;
- (b) Measurement and disclosure of post-employment benefit obligations;
- (c) Fair value measurement and disclosure;
- (d) Disclosures related to significant accounting policies, judgements and estimates; and
- (e) Measurement of financial instruments and disclosure of related risks, particularly relevant for financial institutions.

Activity	Planned output 2014	Actual Output & Commentary
Engage with stakeholder groups <i>via</i> conference hosting and other fora to seek user feedback on enforcement.	<ul style="list-style-type: none"> Seek formal feedback at meeting held between IAASA and Big 6 audit firms Continue to seek feedback at meetings held with issuers, conferences attended and presentations given. 	<ul style="list-style-type: none"> Participation in discussion forum; and Contributed article to professional press and gave presentations during the year.
Strategic Goal II: To deliver independent and effective supervision of the regulatory activities of the PABs which promotes high quality regulation and which responds to inadequate regulatory practice robustly, promptly and proportionately		
Adopt a variety of supervisory approaches tailored to which ensure effective engagement with the PABs and which are tailored to their key risk areas.	<ul style="list-style-type: none"> Reviews of the PABs' regulatory plans, annual returns and annual reports completed; Four on-site supervisory visits focused on identifying recommendations for improvements to PABs' regulatory processes and procedures; Examinations of proposed amendments to PABs constitutional documents completed; Ten supervisory review meetings to be held; and Hold annual contact group meeting with all nine PABs 	<ul style="list-style-type: none"> Examined the PABs' annual returns to IAASA; Engaged with a number of PABs in respect of their regulatory plans and reports, as relevant; Issued three full supervisory visit reports and one follow-up report. At year end, drafting of the reports in respect of two further visits was in progress; 30 approvals of PAB constitutional documents (new and amended) granted and 15 reviews in progress at year end; 12 supervisory review meetings held; and Contact group meeting held with PAB representatives
Make full use of our range of regulatory tools, including the potential to adopt rules and issue guidance in key regulatory areas. Attach terms and conditions to the recognition of the RABs where necessary and monitor compliance with those terms and conditions.	<ul style="list-style-type: none"> Terms & conditions attached to RABs recognition where warranted; and Perform ongoing monitoring of compliance with those terms & conditions 	<ul style="list-style-type: none"> Two further conditions attached to the RABs' recognitions in 2014; and RABs' continuing compliance with conditions monitored throughout the year
Analyse information received from consumers of accounting and auditing services for use in supervisory activities	<ul style="list-style-type: none"> Consideration of complaints received and incorporation of results into supervisory programmes where specific risks are identified. 	<ul style="list-style-type: none"> 19 complaints received and 26 complaints closed
Process applications from third-country auditors for registration	<ul style="list-style-type: none"> Third-country auditor registrations, renewals and updates processed 	<ul style="list-style-type: none"> Two full registrations approved and 16 registrations renewed; and Updating of the third country auditor register following notification of amendment from the third country auditors/entities

Activity	Planned output 2014	Actual Output & Commentary
Implement an online system of receipt of notification of cessation of office by an auditor.	<ul style="list-style-type: none"> Implementation of an online system of notification of cessation of office by an auditor. 	<ul style="list-style-type: none"> Notification of cessation of office forms now available for completion on the IAASA website, with automatic population of a notifications database.
Refer regulatory matters of concern to other regulatory agencies where appropriate and accept referrals from other agencies relating to matters under IAASA's regulatory remit.	<ul style="list-style-type: none"> Referrals made to other regulatory agencies and action taken on third party referrals. 	<ul style="list-style-type: none"> Referrals to other regulatory agencies on 11 occasions during the year; and Receipt of seven notifications from the ODCE, which were processed as complaints by the PABs in accordance with their approved procedures.
Liaise and develop cooperation agreements where possible with international counterparts.	<ul style="list-style-type: none"> Attend at AAC meetings; Engagement with the US PCAOB in respect of developing a Statement of Protocol; and Assistance provided to other regulatory agencies and international counterparts. 	<ul style="list-style-type: none"> Attended 9 AAC meetings; and Progressed draft Statement of Protocol to advanced stage with PCAOB representatives.
Perform a review of the Section 23 and 24 processes.	<ul style="list-style-type: none"> Review of Section 23 process to be commenced; and Consideration of the Section 24 process as part of the audit reform process to be commenced. 	<ul style="list-style-type: none"> Review of the Section 23 process ongoing but pending pending promulgation of the 2014 Act; and Review of the Section 24 process pending pending promulgation of the 2014 Act.
Strategic Goal III:		
To promote adherence to high professional standards by accountants, auditors and preparers of financial reports		
Promote best practice in the financial reporting of issuers through our examination and enforcement processes.	<ul style="list-style-type: none"> Potential publications as set out in Principal Activity III below; Communicating developments of Irish interest from AC of FRC and ESMA to a domestic audience; Responding to queries and enquiries from stakeholders; and Promotion of high quality financial reporting to stakeholders through meetings and presentations. 	<ul style="list-style-type: none"> Publications as detailed in the section below; and Responses provided to 139 queries relating to IAASA's supervision of the accountancy and auditing profession.

Activity	Planned output 2014	Actual Output & Commentary
Promote best practice regulation in supervisory recommendations to the PABs and where good practices are identified promote its adoption by other PABs.	<ul style="list-style-type: none"> • Supervisory review recommendations made and implemented by the relevant PAB as applicable; and • Follow-up reviews to confirm implementation of recommendations. 	<ul style="list-style-type: none"> • Three supervisory visit reports and one follow-up report issued, with the drafting of a further two reports ongoing at year end; and • Continued liaison with the relevant PABs regarding their compliance with previous recommendations, particularly through the 12 review meetings held during 2014.
Publicise the results of our enforcement and supervisory activities to the extent permitted by law.	Potential publications to include: <ul style="list-style-type: none"> • an Annual Report; • annual financial reporting observations; • commentaries on findings of thematic reviews [IAS 7 and Alternative Performance Measures]; • information notes; • web releases; and • articles for newspapers and professional publications. 	<ul style="list-style-type: none"> • Published results of thematic survey – IAS 7 and APMS; • Publication of annual Observations document; • Published 12 web releases on topical financial reporting developments; and • Articles written for professional press.
Implement a learning and development strategy for employees.	<ul style="list-style-type: none"> • Implementation of a learning & development strategy for employees. 	<ul style="list-style-type: none"> • Plan put in place and implemented.
Cooperate, as permitted by law, with other domestic authorities on matters within joint remit.	Continued cooperation with domestic authorities such as: <ul style="list-style-type: none"> • Office of the Director of Corporate Enforcement; • Central Bank of Ireland; • Companies Registration Office; • An Garda Síochana; • Department of Finance; • Department of Justice and Equality; • the Company Law Review Group; and • the Irish Stock Exchange. 	Continued liaison with domestic authorities during the year, including meetings with representatives of the: <ul style="list-style-type: none"> • Office of the Director of Corporate Enforcement; • Central Bank of Ireland; • Revenue Commissioners; • Irish Stock Exchange; and • Quality and Qualifications Ireland.
Contribute to EU and international efforts aimed at supporting and enhancing audit quality.	<ul style="list-style-type: none"> • Cooperation activities with international counterparts including AAC, EGAOB, EAIG, FRC, IFIAR and PCAOB; and • Participation in EU and international forums/committees/groups. 	<ul style="list-style-type: none"> • Attendance at meetings of the AAC, EGAOB (including audit reform transposition workshops), EAIG and IFIAR; and • Meetings with representatives of the FRC and PCAOB to discuss matters of mutual interest.

Activity	Planned output 2014	Actual Output & Commentary
Contribute at Accounting Council and Auditing & Assurance Council of the FRC.	<ul style="list-style-type: none"> Attendance at the AC and AAC meetings. 	<ul style="list-style-type: none"> Attended 9 AAC meetings; and Attended 8 Accounting Council meetings.
Strategic Goal IV: To provide specialist advice and support to the Minister and high quality information to our stakeholders on key auditing and accounting matters		
Advise the Minister on accounting, auditing and financial reporting policy on request and provide support to the Department on policy development arising from EU reforms and in key areas of relevance to IAASA's activities.	<ul style="list-style-type: none"> Pertinent, timely advice provided to the Minister on request; Engagement with DJEI on transposition of the revised Statutory Audit Directive and related Regulation; Engagement with DJEI on transposition of new Accounting Directive (revised and updated 4th and 7th Directives) into domestic legislation. 	<ul style="list-style-type: none"> Liaison with the Department regarding its consultation paper on the member state options available in the revised Statutory Audit Directive and new Regulation.
Participate at the CLRG in respect of company law reforms of relevance to IAASA's remit.	<ul style="list-style-type: none"> Participation in CLRG and other relevant working groups. 	<ul style="list-style-type: none"> Attended 2 of the 3 CLRG meetings held.
Participate in working groups and respond to consultation papers in areas of relevance to IAASA's activities.	<ul style="list-style-type: none"> Participation in DJEI Audit Reform Stakeholder group; and Participation in DJEI initiatives and round table on the amendments to the Accounting Directives. 	<ul style="list-style-type: none"> As above, liaison with the Department regarding its consultation paper on the member state options available in the revised Statutory Audit Directive and new Regulation.
Publish an Annual Report and other documents which provide an overview of IAASA's activities (to the extent allowable by law) and contribute articles to professional publications on key issues.	<p>Subject to capacity publication of an Annual Report;</p> <ul style="list-style-type: none"> annual financial reporting observations; commentaries on findings of thematic reviews; information notes; web releases; a document profiling the profession in Ireland; and articles for professional publications. 	<ul style="list-style-type: none"> Publication of 2013 Annual Report; Publication of annual financial reporting observations; Publication of Review of the Application of IAS 7 Statement of Cash Flows by Selected Irish Equity Issuers; Publication of Profile of the Profession 2013; and Authored article for professional press.
Respond to queries from users of financial reports, consumers of accounting and auditing services, members of the public and other interested parties.	<ul style="list-style-type: none"> Responses provided to queries from members of the public and other interested parties. 	<ul style="list-style-type: none"> Responses provided to 139 queries relating to IAASA's supervision of the accountancy and auditing profession.

Activity	Planned output 2014	Actual Output & Commentary
Utilise the website as a key communication channel with users of financial reports and consumers of accounting and auditing services.	<ul style="list-style-type: none">Carry out a complete redesign of the existing site in conjunction with professional web designers and PR advisors to maximise to potential of the website as a communication tool.	<ul style="list-style-type: none">Website redesign completed.

APPENDIX 4

Commentary on certain aspects of the UK code and Irish annex

Provision(s) of the UK Code	Explanation
Executive directors' remuneration / Remuneration Committee / Performance related remuneration/ bonuses.	By virtue of being a matter for the Ministers for Jobs, Enterprise & Innovation and Public Expenditure & Reform respectively, executive directors' remuneration is outside the control of the Board. IAASA is not permitted to operate performance related remuneration schemes or award bonuses.
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, IAASA 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	As a company limited by guarantee, IAASA does not have shareholders.
Appointment and reappointment of the statutory auditor	The Act provides that IAASA'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	As a regulatory agency established by statute, in circumstances where the appointment of the Chairperson is at the sole discretion of the Minister, an appraisal of the Chairperson's performance would not be appropriate.

Provision(s) of the UK Code	Explanation
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. During 2014, the Board underwent a corporate governance review by IAASA's internal auditors which was commissioned by the Board. However, as a regulatory agency established by statute, it is not appropriate to publicise how such an evaluation has been conducted.
Board members' training and development needs	Periodic and ongoing training for directors occurs as part of the director's induction and on an annual basis at the Board's 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	IAASA is not a FTSE 350 company.
Generation/preservation of value	IAASA does not trade for the acquisition of gain.
Audit committee and recommendation of the external auditor/Non-audit services	The C&AG is, in accordance with the Act, IAASA's statutory auditor. The C&AG does not provide non-audit services to IAASA.
Disclosure of proxies/AGM Notices	Owing to the confidentiality provisions of section 31 of the Act, IAASA is prohibited from disclosing information relating to proxies. As IAASA is a statutory company limited by guarantee not having a share capital, and relies upon an external third party to provide an audit opinion, IAASA provides notices of its AGM within the statutory parameters.
Annual Risk Assessment	IAASA conducts a robust assessment of the principal risks facing the company on an annual basis, but it is not a company trading for profit. As a statutory regulator, IAASA does not consider it appropriate to describe those risks and explain how they are being managed or mitigated, nor does IAASA deem it relevant that an explanation be provided in the Annual Report how the prospects of the company have been assessed.

APPENDIX 5

Issuers examined by the financial reporting supervision unit during 2014

Issuer	Report type	Examination type	Reporting date
Equity issuers examined during 2014			
Aer Lingus Group plc	Annual	Focused	31-Dec-13
Aer Lingus Group plc	Half-yearly	Follow up	30-Jun-14
Aminex plc	Annual	Follow up	31-Dec-13
Bank of Ireland	Annual	Follow up	31-Dec-13
Bank of Ireland	Annual	Focused	31-Dec-13
CRH plc	Annual	Follow up	31-Dec-13
FBD Holdings plc	Annual	Focused	31-Dec-13
FBD Holdings plc	Annual	Follow up	31-Dec-13
Grafton Group plc	Annual	Focused	31-Dec-12
Grafton Group plc	Annual	Focused	31-Dec-13
Grafton Group plc	Annual	Follow up	31-Dec-13
Greencore Group plc	Annual	Focused	27-Sep-13
Independent News & Media plc	Annual	Follow up	31-Dec-13
Irish Continental Group plc	Annual	Follow up	31-Dec-13
Kerry Group plc	Annual	Unlimited scope	31-Dec-13
Kingspan Group plc	Annual	Focused	31-Dec-13
UDG Healthcare plc	Annual	Follow up	30-Sep-13
UDG Healthcare plc	Annual	Focused	30-Sep-13
Closed Ended Fund issuers examined during 2014			
Acencia Debt Strategies Ltd	Annual	Follow up	31-Dec-13
Census Investments 26 plc	Annual	Unlimited scope	31-Jul-13
Census Investments 26 plc	Annual	Follow up	31-Jul-14
Crown Global Secondaries II plc	Half-yearly	Unlimited scope	30-Jun-13
Lyxor Focus Fund (GBP) Ltd	Annual	Follow up	31-Dec-13
Schroder Private Equity Fund of Funds IV plc	Half-yearly	Unlimited scope	31-Mar-13
Debt issuers examined during 2014			
Allied Irish Banks plc	Annual	Focused	31-Dec-13
Permanent TSB Group Holdings plc	Annual	Focused	31-Dec-13
UT2 Funding plc	Half-yearly	Unlimited scope	28-Feb-14

APPENDIX 6

Tables of decisions presented by iaasa during 2014 to the EECS

IAASA decisions to EECS database of financial reporting decisions	
Financial reporting pronouncement	Financial reporting matters considered
IAS 12, IAS 37	Recognition and measurement of uncertain tax positions (2 decisions)
IAS 19	Level of aggregation in presenting principal actuarial assumptions
IAS 1	Classification of liabilities between current and non-current liabilities

IAASA decisions presented to EECS plenary meetings for discussion	
Financial reporting pronouncement	Financial reporting matters considered
IFRS 7, IAS 1, IAS 39,	Financial reporting treatment of forbearance measures
IAS 12	Recognition and measurement of deferred tax assets in respect of carried forward losses and period of time over which reversal may be recognised
IAS 1, IAS 8, IAS 34	Classification of comparative amounts in condensed financial statements

Table 3.6

IAASA emerging issues presented to EECS plenary meetings for discussion	
Financial reporting pronouncement	Financial reporting matters considered
IAS 32	Classification of puttable financial instruments as between liability and debt
IAS 12, IAS 37	Recognition and measurement of uncertain tax positions
IAS 1	Classification of liabilities between current and non-current liabilities

GLOSSARY OF TERMS

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
FRS 8	FRS 8 Related Party Disclosures
FRS 25	FRS 8 Financial Instruments: Presentation
FRS 29	FRS 29 Financial Instruments: Disclosure
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 12	IAS 12 Income Taxes
IAS 19	IAS 19 Employee Benefits
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 7	IFRS 7 Financial Instruments: Disclosure
IFRS 8	IFRS 8 Operating Segments
IFRS 13	IFRS 13 Fair Value Measurement
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 IAASA'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
SI	Statutory Instrument
Statutory Audit Directive	Directive 2006/43/EC
Statutory Audit Directive Regulations	European Communities (Statutory Audits) (Directive 2006/43/EC) Regulations 2010 (SI No. 220 of 2010)
Third country	Non-EU
Transitional Regulations	European Communities (Transitional Period Measures in Respect of Third Country Auditors) Regulations 2009 (SI No. 229 of 2009)
Transparency Directive	Directive 2004/109/EC
Transparency Regulations	Transparency (Directive 2004/109/EC) Regulations, 2007
UK Code	UK Code on Corporate Governance
UTP	Uncertain Tax Position
1990 Act, the	Companies Act, 1990
2013 Regulations, the	European Communities (Statutory Audits) (Directive 2006/43/EC) (Amendment) (No. 2) Regulations 2013



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