



Irish Auditing & Accounting Supervisory Authority

Financial Reporting Supervision role of IAASA - an update

Deloitte

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Disclaimer and confidentiality

Disclaimer

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

Section 31

No person shall disclose, except in accordance with law, information that –

- a) is obtained in performing the functions or exercising the powers of the Supervisory Authority, and*
- b) has not otherwise come to the notice of members of the public...*

Certain exemptions provided for in law

Presentation overview

1. Re-cap on IAASA's financial reporting supervision functions
2. Some issues arising during 2010 reviews
3. Looking forward to 2011

Principal Functions of IAASA's FRSU

- To examine whether the financial reports of issuers whose Home Member State is Ireland under the Transparency Regulations complies with the relevant reporting framework
- Liaising with other countries' financial reporting monitoring bodies
- Co-operating in the development of accounting standards and practice notes
- Assisting the Board to discharge its functions as an advisor to the Minister on accounting related matters

Recap on IAASA's financial reporting supervisory/enforcement function

- IAASA is the independent designated competent authority for carrying out functions under Article 24(4)(h) of the Transparency Directive, i.e.

“..to examine that information referred to in this Directive is drawn up in accordance with the relevant reporting framework and take appropriate measures in case of discovered infringements.”

Review constituency as at 31 December 2009

Category	Number of issuers in category	Half-yearly financial reports issued per annum	Annual financial reports issued per annum	Total no. of periodic financial reports per annum
Equity	31	31	30 [▼]	61
Funds	45	45	39 [▼]	84
Debt	92	67	92 [▼]	159
Total	168	143	161	304

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

Recap on methodology for selection of entity for review

Selection criteria include:

- Risk of material misstatement in the financial statements
- Potential impact on users of financial statements in the event of material misstatement
- Supplemented with random selection of financial statements for review

Responses to matters arising from reviews completed during 2009/(2008)

Issuer category	Number reviews completed	Undertakings regarding future reporting	Publication of amended financial report
Equity	18 (15)	13 (10)	0 (1)
Fund	13 (17)	10 (11)	3 (9)
Debt	17 (19)	10 (18)	5 (18)
Total	48 (51)	33 (39)	8 (28)

Overview of 2010 activities and results (verbal)

Looking forward to 2011 –

Some observations based on 2010 enforcement activity

- Financial Instruments – recognition and measurement
- Financial Instruments – fair value disclosures
- Financial Instruments – risk disclosures
- Impairments
- Pensions accounting and discount rates
- Materiality

Looking forward to 2011 (cont.) – Some observations based on 2010 enforcement activity

- Front end reporting
- Disclosure of Key management personnel
- IAS 1 – presentation of financial statements
- Operating segments
- Provisions (IAS 37 and FRS 12)
- Restatement and reclassifications
- Interim financial reporting
- New accounting pronouncements

Looking forward to 2011 (cont.) – Fund and Debt issuers

- Financial Instruments: recognition and measurement
- Financial Instruments: fair value disclosures
- Risk disclosures & users of financial statements: boiler-plate!
Changes in risks during period, risk strategies, mitigating risk , credit quality, counterparty risk, concentration risk, limited recourse issuers
- Directors'/management reports:
'Tell the story of the performance, position and CF of the period' .
[S.13 CA1986, Regs 4-8 & the Transparency Rules (Sept'09)]...good+bad examples!
- Directors' judgements & critical estimates
- Explanation of significant movements on SOFP, SOCI, SOCE, Stat of C/F
- Operating segments – general information & minimum entity-wide disclosures
- Half-yearly reports - lower quality of financial reporting observed
- Restatement & reclassifications of amounts

Accounting enforcement in an EU context

- Transparency Directive requires every Member State to establish an accounting enforcer
 - “Each competent authority shall have all the powers necessary for the performance of its functions. It shall at least be empowered to:
... examine that information referred to in this Directive is drawn up in accordance with the relevant reporting framework and take appropriate measures in case of discovered infringements”.
- Approximately 6,500 listed companies have been identified by EU enforcers as IFRS users and are under supervision of competent authorities

IAASA involvement in European accounting enforcement

- European Enforcement Co-ordination Sessions (EECS)
- EECS enforcement decision database
- CESR publication of decisions from the database
- IAASA involvement in EECS

Questions?

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