
CHAPTER 4

Governance and Structure

4.1 Legal structure

IAASA is a company limited by guarantee with the following 13 members of the company at 31 December 2017:

- Association of Chartered Certified Accountants*
- Association of International Accountants*
- Chartered Institute of Management Accountants*
- Chartered Institute of Public Finance and Accountancy*
- Central Bank of Ireland
- Director of Corporate Enforcement
- Institute of Certified Public Accountants in Ireland*
- Institute of Chartered Accountants in England and Wales*
- Institute of Chartered Accountants in Ireland*
- Institute of Chartered Accountants of Scotland*
- Institute of Incorporated Public Accountants*
- Irish Stock Exchange
- Revenue Commissioners

* Denotes a PAB

4.2 Organisational structure

4.2.1 Overview

By year-end, IAASA had 24 staff, structured into five units as follows:

- Audit Quality, which was concerned principally with quality assurance of audits of PIEs, and the adoption of Auditing Standards in Ireland;
- Financial Reporting Quality, which was concerned principally with certain entities' financial reporting examination and enforcement;
- Regulatory and Monitoring Supervision, which was concerned principally with supervision of the PABs' regulation of their members;
- Conduct and Legal Services, which, in addition to providing in-house legal advice, coordinates the Authority's statutory investigations and procedures; and
- Finance and Administration, which provides corporate services support to IAASA, together with providing a Secretariat to the Board and to certain of its Committees.

4.2.2 Approved staff complement

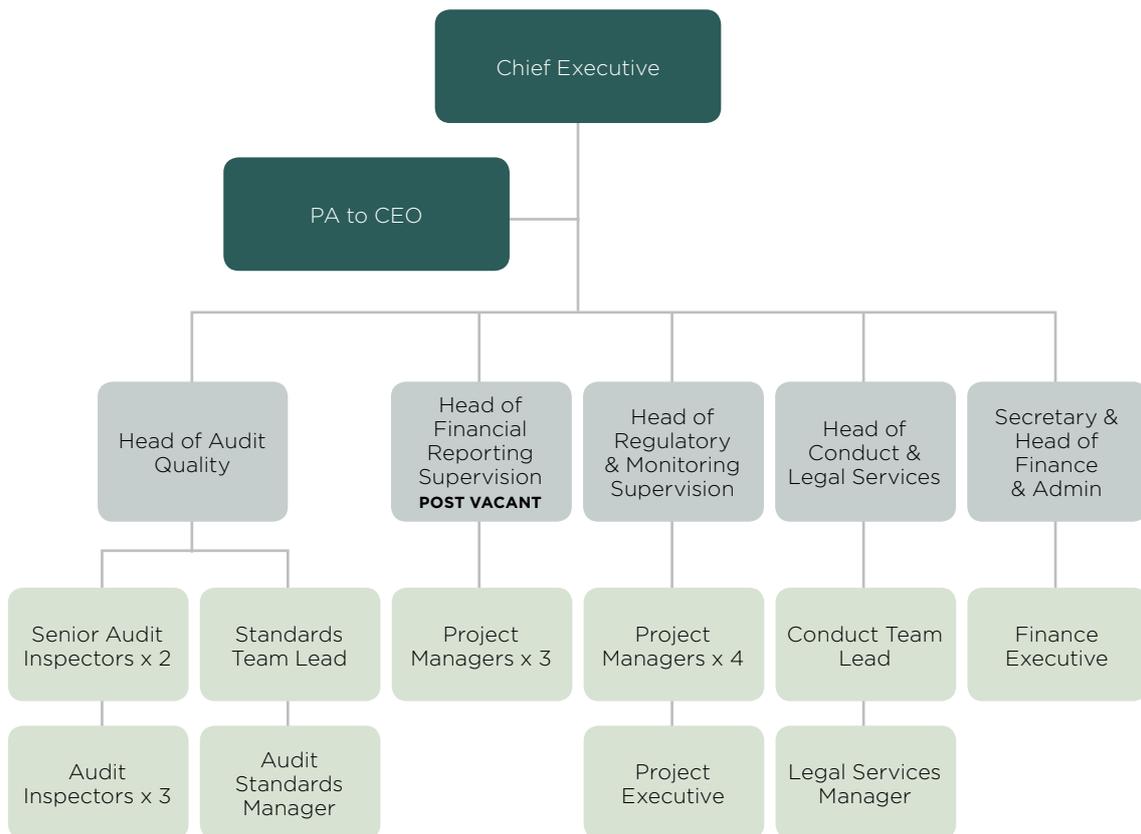
The numbers, grades, and terms and conditions of IAASA's staff are determined by IAASA with the approval of the Minister, given with the consent of the Minister for Public Expenditure and Reform. Accordingly, any amendments to IAASA's approved staff complement require both Ministers' prior approval. IAASA's approved staff complement at year end, and its actual staff complement, are set out in Table 4.1.

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

Grade	Approved	Actual
Chief Executive	1	1
Heads of Function	5	4
Team Leaders/Inspectors	15	7
Project/Policy Managers	10	7
Project/Administrative Executives	10	4
Clerical Support Staff	2	1
Total	43	24

4.2.3 Organisational chart

IAASA's organisational structure as at 31 December 2017, reflecting the actual staff complement at that date, was as set out in the organisation chart below.



4.3 Financial overview

IAASA is a not for profit entity, funded through a combination of Exchequer grant, statutory levy on the PABs, statutory levy on the PIE audit firms, and to a lesser extent, by fees charged for registration services. All funding sources are governed by the provisions of the Act. As a company limited by guarantee, IAASA produces financial statements in accordance with the Companies Acts, which are in turn audited by the Comptroller and Auditor General and lodged with the CRO.

Total expenditure in 2017 amounted to €3.1m, from a budget of €5.6m. The principal variations from budget comprised:

- significant underspend in payroll costs due to ongoing difficulties in attracting suitably qualified staff; and
- consequential underspend in related costs such as office expenditure and travel & subsistence, and consultancy support costs.

4.4 Governance

4.4.1 Board of directors

Pursuant to the Act, IAASA is governed by a Board of nine directors, eight of whom are non-executive and appointed by the Minister having been nominated by those entities set out in Table 4.2. (The equivalent provision of the Companies (Auditing and Accounting) Act 2003 ('the 2003 Act') provided for 15 directors. Directors appointed under the 2003 Act remain as Board members until the expiration of their respective warrants.) The remaining director is the Chief Executive, who is appointed by the Board. The Act specifies that the Authority operates independently of Government and the Minister is statutorily precluded from giving directions to the Authority in the discharge of its functions.

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
PABs (jointly by agreement)	2
Central Bank of Ireland	1
Director of Corporate Enforcement	1
Irish Stock Exchange	1
Revenue Commissioners	1
Total	8

As required by the Act, a maximum of three of these eight directors may be members of a PAB.

4.4.2 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 2018. The Board composition at year end and changes in directors since the last Annual Report are tabulated in Appendix 1.

Martin Sisk, Chairperson, has over 31 years regulatory and business related experience. A qualified Solicitor, he started his career in the Revenue Commissioners, served as Registrar of Friendly Societies 1985 – 2003, Deputy Registrar of Credit Unions 2003 -2006, Deputy Head of Consumer Protection Codes 2007 – 2008 and as Head of the Anti- Money Laundering, Terrorist Finance and Financial Sanctions Unit of the Central Bank 2008 – 2010. He retired from the Central Bank in July 2010. Martin was elected to the Board of Malahide and District Credit Union in December 2010 and continues to be a Director. He was elected to the Board of the Irish League of Credit Unions in February 2011 and was subsequently elected as Vice President 2011 – 2013 and President 2013 – 2015. He continues to be a Director. Martin was appointed a Director of VHI Healthcare in March 2012 for a three year term (2012 – 2015) and was subsequently appointed as Chairman in September 2012 for the remainder of his term. Martin was appointed as the Independent Non – Executive Director of the Interim Board of the Office of Government Procurement in May 2015. Martin was appointed to the Board of the Health Information and Quality Authority in July 2015.

Kevin Prendergast, Chief Executive, joined IAASA in November 2016 from his role as Head of Enforcement with the Office of the Director of Corporate Enforcement, having been employed there since 2005. Prior to that he worked in the Large Cases Division of the Revenue Commissioners and also has several years experience in the private sector including a number of years working in an audit firm. Kevin is a Fellow of Chartered Accountants Ireland.

Mary Burke is Head of the Financial Risks and Governance Division of the Central Bank of Ireland. The Division is responsible for the development of policy for the prudential regulation of banking and insurance undertakings as well as corporate governance, auditing and accounting policy across financial services sectors and leads the Central Bank of Ireland's engagement in European regulation and policymaking in these areas. She has worked with the Central Bank since 1984 moving into financial services supervision in 1997. Previous roles within the Central Bank have included Head of Banking Supervision and Head of Securities and Exchanges Supervision. Mary is a Fellow of the ACCA.

Caitriona Crowley is a Principal Officer in the Revenue Commissioners. She is currently responsible for capital gains tax policy, legislation and interpretation in Revenue's Business Taxes Division. Previously, she worked in the International Tax Division and Large Cases Division of Revenue, where her responsibilities have included tax treaty negotiation and interpretation, membership of Revenue's Base Erosion and Profit Shifting (BEPS) team and audit of multinational companies. She qualified as a Chartered Accountant in 2008 and before joining Revenue, worked as an Audit Manager in PwC. Caitriona holds a B.Comm and M.Acc from UCD and is an Associate of the Irish Tax Institute. She also holds an Advanced Diploma in International Taxation from the Chartered Institute of Taxation in the UK.

David Devlin was a partner in PwC in Dublin until 30 September 2012. He continued with the PwC global network for a further year, latterly 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 Corporate Reporting 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 CPA. 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 is a member of the Ireland Committee of the ACCA and Chairperson of the Audit Committee of the NCCA. She also serves as Director for some not-for-profit organisations.

Nicole Lappin was awarded a law degree from Queen's University Belfast before qualifying as a barrister from King's Inns Dublin. She has practised in both Dublin and Belfast. As an inaugural member of the Education Authority in Northern Ireland she has extensive experience in corporate governance. Along with her colleagues on the board Nicole oversaw the transition of five Education and Library Boards into a single organisation without loss of or reduction to services. She contributed to the 2017/2027 Strategic Plan which outlines the continuing process of transforming how education services are delivered in Northern Ireland. In 2017 Nicole was appointed as an independent non-executive board member of the Northern Ireland Courts and Tribunals Service and currently chairs its audit and risk committee.

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.

4.4.3 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 4.5, 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.

4.4.4 Board meetings

During the year, the Board held nine 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
Ms. Deirdre Behan	9/9
Ms. Mary Burke	7/9
Ms. Marie Daly	9/9
Mr. David Devlin	8/9
Ms. Etain Doyle	8/9
Mrs. Nicole Lappin	4/4
Ms. Aileen O'Donoghue	5/9
Mr. Conor O'Mahony	9/9
Mr. Kevin Prendergast	9/9
Mr. Martin Sisk (Chairperson)	9/9

4.4.5 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 2017
Section 933 committees	In accordance with section 933 of the Act from time to time IAASA establishes Preliminary Enquiry Committees ('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 934 committees	In accordance with section 934 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 committee	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.	Conor O'Mahony (Chairperson) Deirdre Behan <i>(resigned 2 Jan 2018)</i> David Devlin Nicole Lappin <i>(Appointed 19 Dec 2017)</i>

Whilst section 933 and 934 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'), available on the Authority's website. The Charter sets out specific roles and responsibilities for the audit committee, and Table 4.5 sets out how these roles were discharged in 2017.

Table 4.5: Audit committee activities

Charter Requirement	Actions taken during 2017
Internal controls and risk management systems (section 6.1)	<ul style="list-style-type: none"> The committee reviewed the Authority's risk register following a detailed review and consolidation by the Chief Risk Officer. The committee finalised its review of the System of Internal Financial Control ('SIFC') for 2015 in conjunction with the internal auditor. The committee reviewed the SIFC for 2016 in conjunction with the internal auditor.
Financial reporting (section 6.2)	<ul style="list-style-type: none"> The committee reviewed the 2016 Annual Report to the Minister, and considered the Report understandable, consistent and unbiased.
Whistle-blowing (section 6.3)	<ul style="list-style-type: none"> The Board approved Internal and External Protected Disclosure procedures in December 2016, which replaced the previous whistle-blowing procedures.
Compliance with laws, regulations and the Code of Practice for the Governance of State Bodies ('the 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 Code. The committee satisfied itself that no material instances of non-compliance arose during the year under review. The committee considered the Authority's compliance with the 2016 revision of the Code, applicable with effect from 1 September 2017. The committee commenced an evaluation of its own performance, which was ongoing at year end.
Internal audit (section 6.5)	<ul style="list-style-type: none"> The committee considered and approved a three-year audit plan for the period 2017 – 2019 in conjunction with the Authority's internal auditors, CrowleysDFK.
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 committee considered the C&AG's report on its 2015 audit, which identified no issues which required to be reported in a management letter. The C&AG carried out its audit of the 2016 Financial Statements and cleared said Statements for approval by the directors.
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 2017.
Other matters (section 6.8)	<ul style="list-style-type: none"> The committee considered the Authority's readiness for compliance with the General Data Protection Regulation, and oversaw the retention of consultants to carry out a GAP analysis.

In addition, the external auditor and internal auditor have access to the audit committee Secretary whenever required, who is also the Authority's Head of Finance and Administration.

The audit committee will review the 2017 Financial Statements prior to their consideration and approval by the Board.

In anticipation of the expiration of the term of office of Ms Deirdre Behan as a director of IAASA on 2 January 2018, Mrs Nicole Lappin was appointed as a member of the audit committee with effect from 19 December 2017.

4.5 Corporate governance statement

4.5.1 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 Code of Practice for the Governance of State Bodies as issued by the Department of Public Expenditure and Reform. The Code sets out the principles of corporate governance applicable to State bodies.

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 Code.

4.5.2 Statement of compliance

IAASA has taken the following steps to ensure its ongoing compliance with the Code:

- 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 risk management policy 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 protected disclosure procedures, i.e. whereby employees of IAASA or members of the public can, in strict confidence, raise any concerns that they might have regarding possible irregularities in financial reporting or other matters directly with the Secretary to the Board or Chief Executive respectively;
- 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.

4.6 Other public sector and other governance obligations

4.6.1 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 and Head of Finance and Administration and the Head of Conduct and Legal Services, who is also the Chief Risk Officer. Where applicable, other members of IAASA's staff contribute as required to IAASA's ongoing compliance with its obligations.

4.6.2 Legal requirements under the Companies Acts

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

- held IAASA's eleventh Annual General Meeting on 11 July 2017; and
- filed the company's Annual Return with the Registrar of Companies on 18 July 2017.

IAASA has taken the steps necessary to ensure that, in compliance with section 281 of the Act, adequate 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.

4.6.3 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 hold valid Tax Clearance Certificates in advance of payments being made;
- General Data Protection Regulation (GDPR) (Regulation (EU) 2016/679);
- Ethics in Public Office law; 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.

4.6.4 Protected disclosures

The Authority adheres to the requirements of the Protected Disclosures Act 2014, and details on how to make such disclosures are available on its website. IAASA's Annual Return under the Act is included as Appendix 5.