

Irish Auditing and Accounting Supervisory Authority

Annual Report
2007



MISSION

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





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At a Glance

Supervision of the Prescribed Accountancy Bodies

- Nine Prescribed Accountancy Bodies come within the supervisory remit of the Authority. At 31 December, 2007 the aggregate number of the Prescribed Bodies' members resident in the State stood at 25,532, an increase of 6% on the corresponding number as at 31 December, 2006.
- At 31 December, 2007 the aggregate number of the Prescribed Bodies' students resident in the State stood at 18,289, an increase of 4% on the corresponding number as at 31 December, 2006.
- During the year the Authority:
 - granted its approval to 24 sets of the Prescribed Accountancy Bodies' constitutional documents and a range of proposed amendments thereto;
 - continued its detailed supervision of the Prescribed Bodies' regulation and monitoring of their members and member firms, bringing to five the bodies with whom the Authority has had detailed interaction; and
 - enhanced its annual return process with a view to gathering and analysing statistical and regulatory information with regard to the Prescribed Bodies.
- In September, 2007 the Authority published Regulations governing the conduct of statutory enquiries under section 23 of the Companies

(Auditing and Accounting) Act, 2003. The Authority referred four matters to the section 23 process during the period under review.

- The Authority continued to work closely with the EU Commission and its EU/EEA and international counterparts in seeking to foster and develop close co-operation and working relationships between audit regulatory bodies.

Financial Reporting Supervision

- With the commencement in June, 2007 of the Transparency (Directive 2004/109/EC) Regulations, the Authority assumed responsibility as the competent authority for the financial reporting supervision and enforcement aspects of the EU Transparency Directive.
- During the year the Authority initiated reviews of 11 sets of periodic financial reports and, pursuant to those reviews, correspondence with a number of issuers was ongoing at year end regarding issues of non-compliance or apparent non-compliance with relevant reporting frameworks.
- The Authority's review constituency in this regard is in excess of 300 issuers, comprising issuers of equity and debt as well as closed ended funds whose home Member State is the State and whose securities have been admitted to trading on a regulated market.



- In September, 2007 the Authority published a detailed guide to the periodic financial reporting requirements of the EU Transparency Directive for the benefit of affected issuers and other interested parties.
- During the year the Authority continued to co-operate and work closely with its EU/EEA financial reporting supervision/enforcement counterparts in the context of EU-wide efforts to ensure the consistent application and enforcement of IFRS across the European Union.

Advisory & Advocacy

- During the year the Authority provided advice to the Minister for Trade & Commerce and his officials on a range of matters, including on matters relating to:
 - u the Transparency Directive Regulations, 2007;
 - u the EU Statutory Audit Directive;
 - u legal protection of the term 'Accountant'; and
 - u the EU Recognition of Professional Qualifications Directive.
- The Authority also contributed to the provision of advice to the Minister for Enterprise, Trade & Employment on company law related matters through its membership of the Company Law Review Group.

Organisational

- The Authority effected a staff rebalancing during the year, the effect of which was to:
 - u better reflect its needs, based on practical experience; and
 - u reduce the Authority's headcount (excluding Transparency Directive staff) by two and the Authority's annual payroll costs by approximately €20,000.

Provision of High Quality Services to Stakeholders

- During the year the Authority:
 - u published a Customer Charter; and
 - u provided regular updates to interested parties via its website and email registration service.



Chairperson's Statement

Introduction

It is with pleasure that I submit the Authority's second Annual Report to the Minister for Trade & Commerce, Mr. John McGuinness, T.D., in accordance with section 22(1) of the Companies (Auditing and Accounting) Act, 2003.

Year under review

The year under review was an exceptionally busy period for the Board across all aspects of the Authority's remit. In addition to continuing to oversee the execution of the Authority's supervisory remit vis à vis the nine prescribed accountancy bodies, the Board also oversaw the conferral of additional responsibilities on the Authority under the EU Transparency Directive and continued to contribute to Ireland's preparations for the transposition of the EU Statutory Audit Directive into national law.

Preface

The following seeks to provide the public with an overview of what we have achieved in the last year. Unfortunately, however, because of the need for confidentiality and the fact that certain of the issues referred to below are still ongoing, it is not possible for me (or indeed the Report) to be more specific about the precise nature of the work carried out. In that context we have given as much information as judged possible in order to enable our principal stakeholders, i.e. the public, to understand our work



Karen Erwin, Chairperson

and to learn from it but unfortunately cannot provide further detail.

Financial reporting supervision

Having liaised closely with the Department of Enterprise, Trade & Employment and other interested parties during the drafting of the Transparency (Directive 2004/109/EC) Regulations, the enactment of those Regulations in June saw the Authority become the national designated competent authority for the purposes of the supervision and enforcement of the financial reporting aspects of the EU Transparency Directive. The scope of the Authority's review remit in this regard extends to the half yearly and annual financial reports of in excess of 300 listed issuers, including



funds, debt issuers and some of the State's largest equity issuers.

While a mandate of this complexity and significance from a public interest perspective has presented very significant challenges for the Authority, I am pleased to report that, during the year under review, it is one that we have more than met – as evidenced by the fact that, by year end, Authority staff had initiated reviews of some 46% of those periodic financial reports received and were in correspondence with those charged with affected issuers' governance regarding issues arising from reviews.

I am equally pleased to report that, based on our experience to date, issuers' reactions to our contacts have been both positive and constructive, with Boards of directors being willing to actively and constructively engage in addressing issues arising with a view to reaching mutually satisfactory outcomes in the interests of ensuring that market participants have access to high quality financial reporting.

Supervision of the accountancy profession

During the year, the Board continued to oversee the Authority's supervisory activities *vis à vis* the prescribed accountancy bodies. In that context, the Board spent a considerable proportion of its time giving careful and detailed consideration to a range of significant issues identified through the Authority's reviews of prescribed bodies and examination of bodies' constitutional and related documents respectively. Issues considered to be significant by

the Board were not confined to any one prescribed accountancy body nor were they confined to any one aspect of the prescribed bodies' activities. Rather, issues of significance were identified across a range of the bodies' activities, including in the areas of complaints handling and investigation, discipline, quality assurance and registration of members and member firms.

In the area of complaints received directly from members of the public, the Board continued to oversee the Authority's handling of such complaints and, having initiated an extensive consultation process early in the year, published a set of Regulations governing the Authority's conduct of statutory enquiries under section 23 of the Companies (Auditing and Accounting) Act, 2003. Having issued the Regulations, the Board subsequently referred a total of 4 matters to the formal statutory enquiry process for the purpose of determining whether the prescribed accountancy bodies concerned had failed to comply with their approved investigation and disciplinary procedures.

While it is the Board's policy that, to the extent practicable and appropriate, issues arising should be addressed in a collaborative manner with the profession, the public interest dimension of certain of the issues arising during the year was such that the Board approved a range of appropriate and proportionate responses, including, where considered necessary, the exercise of its statutory powers. In

other instances, specific recommendations were tabled to the parties concerned, with the Board overseeing the Authority's ongoing monitoring of recipient bodies' responses.

Based on the Authority's supervisory activities in respect of those bodies that had, by year end, been the subject of detailed review, the Board is broadly satisfied that most aspects of those bodies' investigation, disciplinary and quality assurance processes and procedures have been appropriately designed with a view to serving and protecting the public interest. That having been said, a range of design-related issues have been identified and, at year end, such issues had either been addressed or were in the process of being addressed by the Authority in conjunction with the affected parties. Similarly, issues continue to be identified in the practical operation of the bodies' investigation, disciplinary and quality assurance processes and procedures. In that context the Board is continuing to oversee the Authority's efforts in seeking to address issues arising in a timely and appropriate manner, thereby supporting and strengthening the profession's regulation of its members and, by extension, the basis upon which members of the public can place trust and confidence in same.

The coming year

In the context of its statutory responsibilities under the EU Transparency Directive, 2008 will see the

majority of affected issuers being required to file their first periodic financial reports. This will greatly increase the number of financial reports being presented to the Authority and, unquestionably, this will represent a major challenge for us. Nevertheless, the Board looks forward to the challenges ahead and to working with issuers and fellow financial reporting enforcement agencies across the EU in contributing to the enhancement of market participants' confidence in the quality of financial reporting in Ireland and the wider European Union.

As regards supervision of the accountancy profession, by far the most significant development during 2008 will be the transposition of the EU Statutory Audit Directive into national law. Having been involved to a significant extent in Ireland's preparations to date, the Board looks forward to continuing to work closely with the Minister, his officials, the profession and other interested parties in seeking to ensure that Ireland's post-transposition regulatory model is one which is capable of being relied upon to the maximum extent possible by our EU and international counterparts. In that context, the Board is of the view that the EU Commission's forthcoming Recommendation on Quality Assurance should be implemented by Ireland and looks forward to discussing its views in that regard with the Minister, the accountancy bodies and others in the coming months.



In conclusion

The Authority is now two thirds of the way through its first three year Work Programme and the Board is pleased to be able to confirm that, in the relatively short period since it was placed on a statutory footing, the Authority has established a significant presence amongst those with whom it is charged with supervising and regulating. Moreover, the Board is quite satisfied that, while it is clear to those whom the Authority is charged with supervising/regulating that the Authority is committed to working in a collaborative manner, it is equally clear that the Authority is prepared to adopt a robust approach towards effecting corrective/remediating actions when necessary or otherwise considered appropriate.

The Authority's success in establishing such a presence over a relatively short timeframe is in no small part due to the commitment and dedication of the Board members and staff. In that context, I

would like to pay particular tribute to Anne Maher and Tom Healy, both of whom stepped down from the Board during the year and to the Authority's former Secretary & Head of Legal Services, Jane Meehan, who recently took up a new position with the National Treasury Management Agency. On behalf of the Board, I wish them well in the future. Similarly, I would like to publicly welcome the Minister's appointment of Brendan Kennedy and Gerard Scully to the Board during the year.

Finally, I would like to record the Board's thanks and appreciation to both Minister McGuinness and his predecessor Minister Ahern for their ongoing support of the Authority and its mission.

**Karen Erwin,
Chairperson
30 April, 2008**

Chief Executive's Review

Context for the Authority's activities

High quality, reliable financial reporting and the associated activities of the accountancy profession, including statutory audit, are of fundamental importance to the economy. Accordingly, it is vitally important to the wellbeing of the economy and our capital market that the investor community, users of accountants' and auditors' services and the wider public can have trust and confidence in the profession and in its outputs. It is in this context that the Authority adopted at the time of its establishment the mission of supporting and enhancing public confidence in the accountancy profession and in financial reporting through the exercise of effective, independent oversight and the promotion of adherence to high standards. Against that backdrop, set out hereunder is a review of some of the Authority's principal activities during the course of the year under review in seeking to further its mission.

Supervision of the Prescribed Accountancy Bodies

The Authority's first Work Programme, which covers the period 2006/08, provides that the Authority shall conduct an initial, detailed review of each of the nine prescribed accountancy bodies, with subsequent reviews being carried out having regard to, amongst other considerations, risk indicators identified during the course of the first programme of reviews.



Ian Drennan, Chief Executive

By the end of its second year of operations, the Authority had undertaken detailed review activities in relation to five of the nine prescribed accountancy bodies. Moreover, the prescribed bodies that had been the subject of detailed review activity at that time were those considered to have the highest risk profiles from a supervisory perspective, having regard to a range of considerations including their scale, nature of activities and presence in the State. As a consequence of having adopted this approach, by the end of its second year of activity on a statutory footing, by virtue of having conducted detailed review activity *vis à vis* four of the six recognised accountancy bodies, the Authority had obtained coverage of the investigation, disciplinary



and quality assurance processes and procedures applying to approximately 99% and 100% respectively of firms and individuals registered as auditors by the recognised accountancy bodies and having offices in the State.

Having achieved the level of coverage referred to above, the Authority is already, and at this relatively early stage of its development, well placed to form an assessment of the overall standard of the prescribed bodies' regulation and monitoring of their members and, indeed, the Chairperson in her Statement makes reference to the Board's overall assessment in this regard.

As will be evident from this report, taken together with the Authority's first report, a range of significant issues have been identified by the Authority, both in terms of the design and practical operation of the prescribed accountancy bodies' regulatory and monitoring systems. Therefore, in addition to continuing its programme of reviews during 2008, the Authority will also be paying attention to how the bodies concerned are responding to those findings and recommendations that have been presented to them to date.

Supervision of certain issuers' periodic financial reporting

The transposition of the EU Transparency Directive into national law during the year represented a

significant and exciting development in the context of the Authority's place in the architecture of Ireland's financial reporting regulatory framework. As the independent oversight body charged with monitoring issuers' compliance with their periodic financial reporting obligations under the Directive and where necessary, taking appropriate enforcement action, this represented the commencement of a significant new function for the Authority.

Having regard to the Authority's scale and the well documented, ever increasing complexity of statutory financial reporting, the conferral of these additional statutory functions has represented a major challenge for the Authority. To underline the challenge facing the Authority, issuers are reporting under IFRS, Irish GAAP and, in some cases, under other permitted codes, e.g. US GAAP.

Issuers are required, in the first instance, to make their periodic financial reports public through an approved Regulatory Information Service and, thereafter, reports are forwarded to the Authority by the Stock Exchange. The first financial reports were received by the Authority in September and, by year end, the Authority had initiated reviews of 11 of the 24 reports received.

On the basis of the reviews that had been conducted by year end, a range of issues – pertaining to both legal and accounting standard-related matters – had been identified. Where issues are identified, it is the Authority's practice to draw

such matters to the attention of those charged with relevant issuers' governance and to seek their comments and observations on matters arising. As has been alluded to in the Chairperson's Statement, the Authority has been pleased by the positive and constructive approach that issuers' boards of directors have adopted towards addressing issues raised and in seeking to facilitate the resolution of such issues in a manner that best serves the interests of the investor community and the wider public. In that context, the Authority looks forward to continuing to work with preparers of financial reports in the coming year in seeking to further enhance public confidence in the quality, reliability and usefulness of statutory financial reporting.

Advisory

During the year the Authority provided advice to the Minister and his officials on a range of topics, including on matters relating to the Transparency (Directive 2004/109/EC) Regulations, 2007, transposition of the EU Statutory Audit Directive and the issue of statutory protection/recognition of the term '*Accountant*' – in the case of the latter a detailed set of recommendations was formally tabled to the Minister in March. Similarly, through its membership of the Company Law Review Group, the Authority contributed to the formulation of advice to the Minister on a range of company related law matters relating to audit and financial reporting.

Promotion of adherence to high standards

One of the most significant initiatives undertaken by the Authority during the year in the area of promotion of adherence to high standards was the publication of a detailed Guide to the financial reporting and related provisions of the EU Transparency Directive. Issuers' obligations in this regard derive from a number of sources and, in that context, the primary purpose of the Guide was to provide assistance to both issuers and their advisors and agents in securing full compliance with the Directive's requirements in the shortest possible timeframe. To that end, in addition to making the Guide available on its website and advertising its publication in the national press, the Authority disseminated copies of the Guide to a wide range of stakeholders.

EU/International

The Authority's principal activities in this regard included ongoing participation in, and contribution to the activities of:

- the CESR-sponsored European Enforcement Co-ordination Sessions (EECS), the purpose of which is to facilitate and foster the consistent application and enforcement of IFRS across the European Union;
- the European Group of Auditors' Oversight Bodies (EGAOB), the purpose of which includes:



- u facilitation of co-operation between EU independent audit regulatory authorities and the exchange of good practice;
 - u contributing to the technical assessment of 3rd countries' audit regulatory arrangements and to co-operation between EU independent audit regulatory authorities and their international counterparts;
 - u contributing to the technical examination of International Standards on Auditing; and
- the International Forum of Independent Audit Regulators (IFIAR), of which the Authority is a founder member.

Staffing

During the year the Authority effected a rebalancing of staff, the purpose of which was to better reflect the Authority's staffing needs in light of practical experiences to date. As a consequence of savings deriving from the resultant reduction in approved headcount, the Authority secured Ministerial approval to recruit a further member of professional staff. In addition, the Authority received Ministerial approval to recruit a further two professional staff for

the purposes of enabling it to discharge its mandate under the EU Transparency Directive. However, due to the ongoing difficulties faced by the Authority in recruiting suitably experienced accounting professionals in the prevailing employment market conditions, at year end these posts remained vacant.

Acknowledgements

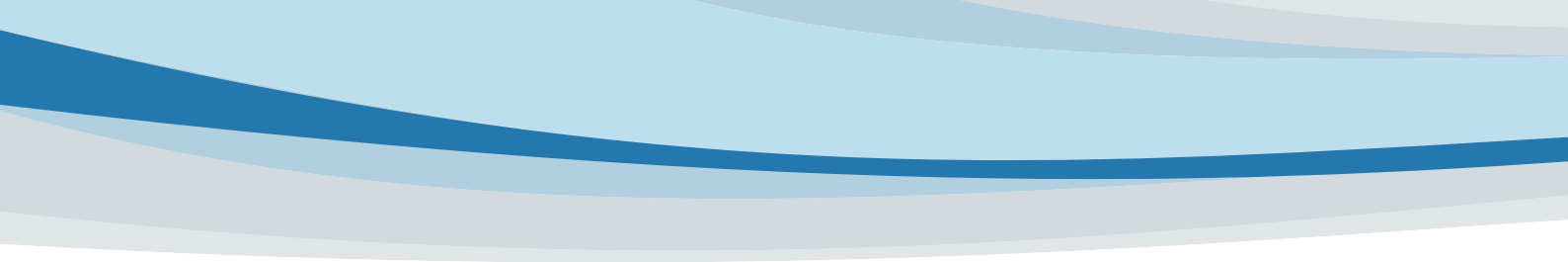
This Report provides the Authority's stakeholders with a comprehensive account of its activities and achievements during the year in the furtherance of its statutory mandate and mission. The Authority's successes in this regard and ongoing commitment to excellence are only possible with the support and guidance of my Chairperson and Board colleagues and the hard work, dedication, commitment and professionalism of my colleagues. In that context, I would like to take the opportunity to express my gratitude to them all.

Ian Drennan,
Chief Executive
30 April, 2008



Chapter 1

Governance



Chapter 1

Governance

1. Legal structure

Pursuant to the provisions of section 5 of the Companies (Auditing and Accounting) Act, 2003 ('the Act')¹, the Irish Auditing & Accounting Supervisory Authority ('the Authority'/'IAASA') discharges its functions and exercises its powers through a company limited by guarantee designated for that purpose by the Minister for Trade & Commerce ('the Minister'). While the Act refers to the Minister for Enterprise, Trade & Employment, the Government has delegated all Ministerial functions provided for by the Act to the Minister. This delegation was effected by the Enterprise, Trade and Employment (Delegation of Ministerial Functions) (No.2) Order, 2007².

- 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 Board
- Revenue Commissioners

2. Company membership

In accordance with the Act, the following are members of the company:

- Association of Chartered Certified Accountants*
- Association of International Accountants*
- Chartered Institute of Management Accountants*
- Chartered Institute of Public Finance & Accountancy*
- Director of Corporate Enforcement
- Financial Regulator

* Denotes a Prescribed Accountancy Body ('PAB')

3. Governance

3.1 Appointment of the Board of Directors

In accordance with the provisions of section 11 of the Act, the Authority is governed by a Board of 15 directors. Fourteen of the Authority's directors are appointed by the Minister, having been nominated in accordance with Table 1. The remaining director is the Chief Executive, who is appointed by the aforementioned fourteen directors.

¹ A copy of the Act can be accessed on the Authority's website at <http://www.iaasa.ie/legislation/index.htm>

² S. I. No. 560 of 2007, the text of which can be accessed at www.irishstatutebook.ie



Table 1
Board of Directors – Nominating Bodies

Nominating body	Nominees
Minister for Trade & Commerce	2 ³
Prescribed Accountancy Bodies ('PABs') (jointly by agreement)	3
Director of Corporate Enforcement	1
Financial Regulator	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 Board	1
Revenue Commissioners	1

As further stipulated by the Act, a maximum of 5 directors, including the Chief Executive, may be members of the PABs.

3.2 Board procedures

The Board holds regular meetings - typically monthly - and its procedures further provide for the convening of unscheduled meetings should the need arise. The directors receive regular and timely information in a form and of a quality appropriate to enable the Board to discharge its duties. The Board has put in place a formal Schedule of Matters specifically reserved to it for decision, which covers key areas of policy and the

Authority's statutory functions and powers. Certain matters are delegated to Board Committees, as outlined in section 4 of this chapter 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 the Authority's 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 is to act in accordance with the relevant legislation and to act in, and protect and promote, the best interests of the Authority. In this regard, all of the directors 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 discussions or decisions involving any such conflicts.

3.3 Board meetings

During the year, the Board held 11 scheduled meetings and one unscheduled meeting. The membership of the Authority's Board of Directors, together with the number of meetings attended by individual directors, is set out in Table 2.

³ The Minister's nominees include the Chairperson of the Authority

Table 2
Board of Directors - Details

Ms. Karen Erwin (Chairperson)	Founder & Principal, Erwin Mediation Services	Minister for Trade & Commerce	12/12
Mr. Ian Drennan*	Chief Executive	Other directors	12/12
Mr. Paul Appleby	Director of Corporate Enforcement	Director of Corporate Enforcement	10/12
Ms. Helene Coffey	Partner, Coffey & McMahon Solicitors	Law Society of Ireland	10/12
Ms. Marie Daly	Head of Legal & Regulatory Affairs, IBEC	Irish Business & Employers' Confederation	8/12
Mr. Michael Deasy*	Head of Financial Institutions & Funds Authorisations, Financial Regulator	Financial Regulator	10/12
Mr. Sean Hawkshaw	Managing Director, KBC Asset Management Limited	Irish Association of Investment Managers	10/12
Mr. Tom Healy^	Chief Executive, Irish Stock Exchange	Irish Stock Exchange	2/7
Mr. Pat A. Houlihan	Assistant Principal, Company Law/EU Section, Department of Enterprise, Trade & Employment	Minister for Trade & Commerce	11/12
Mr. Jim Kelly	Principal, Revenue Commissioners	Revenue Commissioners	10/12
Mr. Tony Kelly*	Partner, Byrne Curtin Kelly, Certified Public Accountants & Registered Auditors	Prescribed Accountancy Bodies	11/12
Mr. Brendan Kennedy~	Chief Executive, Pensions Board	Pensions Board	4/6
Ms. Anne Maher~	Company Director	Pensions Board	4/6
Mr. David Martin*	Company Director	Prescribed Accountancy Bodies	9/12
Mr. Donal O'Connor*	Partner, PricewaterhouseCoopers, Chartered Accountants & Registered Auditors	Prescribed Accountancy Bodies	11/12
Senator Joe O'Toole	Member of Seanad Eireann (Upper House of Parliament)	Irish Congress of Trade Unions	9/12
Mr. Gerard Scully^	Director of International Primary Markets, Irish Stock Exchange	Irish Stock Exchange	4/5

Notes:

* Denotes membership of a PAB.

^ Mr. Tom Healy resigned from the Board on 27 June, 2007. On the nomination of the Irish Stock Exchange, the Minister appointed Mr. Gerard Scully to the Board on 11 July, 2007.

~Ms. Anne Maher resigned from the Board on 31 May, 2007. On the nomination of the Pensions Board, the Minister appointed Mr. Brendan Kennedy to the Board on 8 June, 2007.





Karen Erwin



Ian Drennan



Paul Appleby



Helene Coffey



Marie Daly



Michael Deasy



Sean Hawkshaw



Pat A. Houlihan



Jim Kelly



Tony Kelly



Brendan Kennedy



David Martin



Donal O'Connor



Joe O'Toole



Gerard Scully



4. 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' memberships are set out below. The Secretary to the Authority acted as Secretary to all Committees during the year.

Table 3
Committees

Committee	Mandate	Membership
Recognition	Examining applications for Recognised Accountancy Body status received by the Authority and for reporting recommendations to the Board.	Michael Deasy (Chair) Ian Drennan Tom Healy ⁴
Audit	Monitoring the integrity of the Authority's financial statements, the effectiveness of the Authority's internal control and risk management systems and monitoring and reviewing the effectiveness of the internal and external audit processes.	Donal O'Connor (Chair) Helene Coffey Jim Kelly
Remuneration	Assessing the performance of the Chief Executive and making recommendations to the Board regarding the Chief Executive's and directors' remuneration.	Senator Joe O'Toole (Chair) Paul Appleby Karen Erwin Anne Maher ⁵
S23 Preliminary Enquiry Committee No. I ⁶	Determining whether, in accordance with the Authority's Section 23 Regulations, a full Enquiry should be initiated under Section 23 of the Companies (Auditing and Accounting) Act, 2003.	Sean Hawkshaw (Chair) Marie Daly David Martin
S23 Preliminary Enquiry Committee No. II	Determining whether, in accordance with the Authority's Section 23 Regulations, a full Enquiry should be initiated under Section 23 of the Companies (Auditing and Accounting) Act, 2003.	Sean Hawkshaw (Chair) Marie Daly Tony Kelly

⁴ Mr. Healy resigned from the Board on 27 June, 2007 and, for continuity purposes, was not replaced on the Committee.

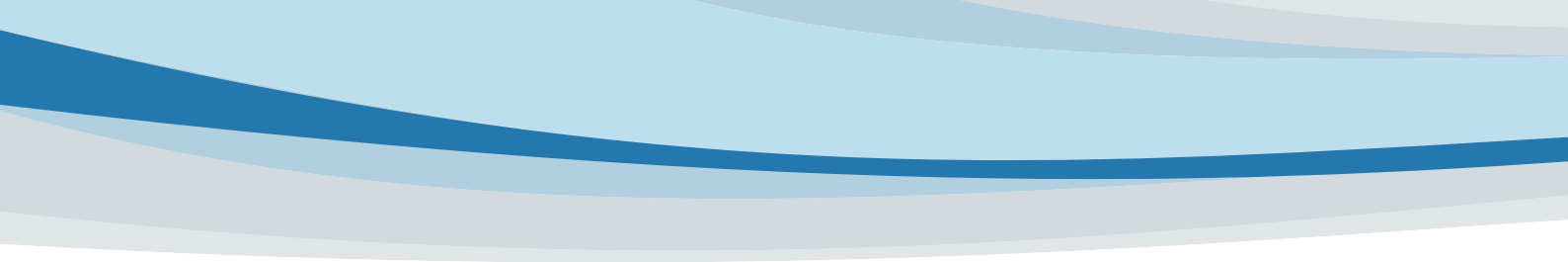
⁵ Ms. Maher resigned from the Board on 31 May, 2007 and had not, by year end, been replaced on the Committee.

⁶ The composition of Section 23 Committees is governed by Regulations made by the Authority for the purpose of governing the conduct of such Enquiries. The Regulations provide, *inter alia*, that: (i) each Committee shall comprise at least three members, two of whom are directors of the Authority; (ii) in order to be quorate, at least one director of the Authority must be present at Committee meetings; and (iii) the Chief Executive shall not be a member of a Section 23 Committee.

5. Public sector governance obligations

The directors are committed to adhering to the highest standards of corporate governance and compliance. As a body established under statute, the Authority is subject to the provisions of the Code of Practice for the Governance of State Bodies ('the Code') issued by the Department of Finance, which sets out the principles of corporate governance applicable to State bodies. The Authority's directors and senior management are also subject to the provisions of the Ethics in Public Office Acts, which require, *inter alia*, the annual disclosure of any interests that could materially influence them in relation to the performance of their official functions. Further information regarding the steps taken by the Authority to comply with its governance obligations is provided in Chapter 6 of this Report.

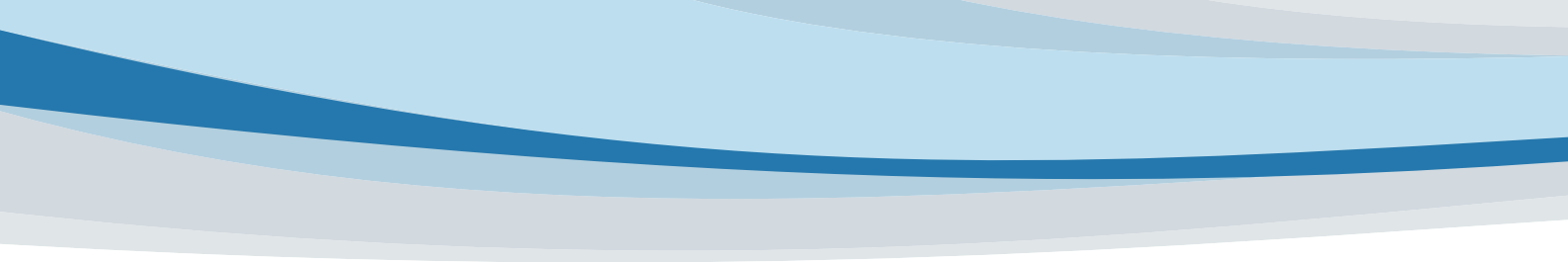






Chapter 2

Principal goals &
organisational structure



Chapter 2

Principal goals & organisational structure

1. Principal goals

Pursuant to the requirements of section 13 of the Act, the Authority has developed a three year Work Programme, which covers the period 2006/08, which, as required by the Act, has been furnished to the Minister. The Authority's first Work Programme was drawn up having regard, *inter alia*, to:

- the Authority's objects, as set out in section 8 of the Act;
- the Authority's functions, as set out in section 9 of the Act;
- the Authority's powers, as set out in section 10 of the Act; and
- ancillary considerations including, for example, the Authority's obligations and responsibilities as a statutory body and a company incorporated under the Companies Acts.

Having regard to the foregoing considerations, the following are the Authority's key goals:

- I To supervise how the PABs regulate and monitor their members;
- II To monitor the compliance of certain issuers'

periodic financial reporting with relevant reporting frameworks⁷;

- III To promote adherence to high professional standards in the auditing and accountancy profession and act as a specialist source of advice to the Minister on auditing and accounting matters; and
- IV To ensure the Authority's adherence to its legal and governance obligations and to provide a high quality service to internal and external stakeholders.

The Authority's activities during the period in seeking to achieve the foregoing goals are elaborated upon in Chapters 3 to 6 of this Report.

2. Organisational structure

2.1 Overview

In reflecting the work streams that flow from the foregoing goals, the Authority is structured into four Units, viz:

- Regulatory & Monitoring Supervision, which is concerned principally with supervision of the PABs and ancillary activities;

⁷ In view of the conferral of analogous functions on the Authority under the EU Transparency Directive during the year and the non-commencement of Section 26 of the Act, this goal has been amended from that which was contained in the Authority's first Work Programme, viz: 'To monitor whether the financial statements of certain classes of entities comply with the Companies Acts'.



- Financial Reporting Supervision, which is concerned principally with financial statement review and ancillary activities;
- Legal Services, which, in addition to providing in-house legal advice and related services to the Authority, provides a secretariat to the Board and its Committees; and
- Finance & Administration, which provides corporate services support to the Authority.

While many of the activities flowing from the Authority's goals fall logically into the preceding structure, it is also the case that the nature of certain activities – taken together with the scale of the Authority – is such that more than one Unit may be involved.

2.2 Amendments to the Authority's approved staff complement during the year

2.2.1 Approved staff complement as at 1 January, 2007

In accordance with the provisions of section 17(2) of the Act, the numbers, grades, and terms and conditions of the Authority's staff shall be determined by the Authority with the approval of the Minister, given with the consent of the Minister for Finance.

Accordingly, any amendments to the Authority's approved staff complement require both Ministers' prior approval. As at 1 January, 2007 the Authority had an approved staff complement of 15. Details of the Authority's approved and actual staff complements as at that date are set out in Table 4 below.

The difference in approved and actual staff complements at that time was attributable to a combination of (i) the ongoing difficulties encountered by the Authority in recruiting professional staff at

Table 4
Approved and Actual Staff Complements – 1 January, 2007

	Approved	Actual
Chief Executive	1	1
Heads of Function	3	3
Project Managers - Professional Staff	3	2
Finance & Administration Manager	1	1
IT & Facilities Manager	1	0
Executive Support Staff	2	0
Clerical Support Staff	4	0
Total	15	7

approved salary levels; (ii) the Authority's policy of seeking to recruit administrative support staff only as required; and (iii) difficulties in recruiting administrative support staff at approved salary levels.

2.2.2 EU Transparency Directive

As further elaborated upon in Chapter 4 of this Report, during the year the Authority was designated by the Minister as an independent competent authority for the purposes of Article 24(4)(h) of the EU Transparency Directive. In that context, the Authority received Ministerial approval in April, 2007 to recruit two further professional staff for the purpose of enabling it to discharge its remit in this regard. It was further determined by the Minister that the costs associated with employing the aforementioned two staff would be borne fully by the Exchequer rather than in the manner by which the Authority's other activities are funded, i.e. 60% by the PABs and 40% by the Exchequer. While the Authority sought to recruit two suitably experienced professionals to fill these positions, the Authority's efforts in this regard proved unsuccessful during the year.

2.2.3 Rebalancing of staff

In May, 2007 the Board adopted a staff rebalancing, the purpose of which was to better reflect the Authority's staffing needs based on experiences to date. Specifically, the rebalancing, which was approved by the Minister in October, 2007, effected the following changes to the approved staff complement:

- two vacant clerical support posts were suppressed;
- the vacant post of IT & Facilities Manager was suppressed and the duties attaching to that post were permanently assigned to the post of Finance & Administration Manager. In recognition of the aforementioned additional responsibilities, the Finance & Administration Manager post was upgraded (to the post of Head of Finance & Administration);
- the savings arising as a consequence of the suppression of the three aforementioned posts were used to secure the approval of an additional Project Manager post.

The net effect of the rebalancing was to reduce the Authority's original headcount (i.e. excluding those additional staff approved for Transparency Directive purposes) by two and to reduce the Authority's annual payroll costs by approximately €20,000.

2.2.4 Approved staff complement as at 31 December, 2007

As a consequence of the foregoing, at year end the Authority had an approved amended staff complement of 15. Details of the Authority's approved and actual staff complements as at 31 December, 2007 are set out in Table 5 .



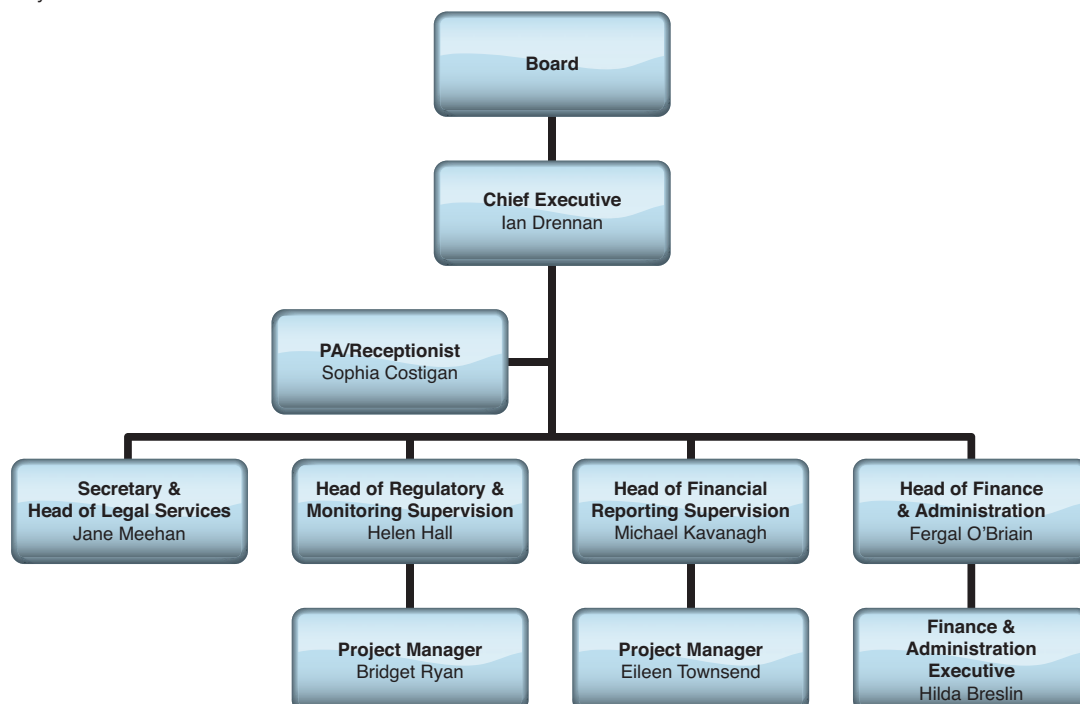
Table 5
Approved and Actual Staff Complements – 31 December, 2007

	Approved	Actual
Chief Executive	1	1
Heads of Function	3	3
Project Managers - Professional Staff	4	2
Transparency Directive - Professional Staff	2	0
Head of Finance & Administration	1	1
Finance & Administration Manager	0	0
IT & Facilities Manager	0	0
Executive Support Staff	2	1
Clerical Support Staff	2	1
Total	15	9

The difference in approved and actual staff complements at year end was principally attributable to the ongoing difficulties being encountered by the Authority in recruiting professional staff at approved salary levels.

2.3 Organisational structure

The Authority's organisational structure as at 31 December, 2007 was as set out in the organisation chart below.





Chapter 3

Supervision of how the
prescribed accountancy
bodies regulate and
monitor their members



Chapter 3

Supervision of how the prescribed accountancy bodies regulate and monitor their members

1. Introduction

This Chapter provides a summary of the activities undertaken by the Authority during the year in seeking to achieve its mission of supporting and enhancing public confidence in the accountancy profession through the exercise of effective, independent oversight. The Authority's activities in this regard are concerned principally with its supervisory role *vis à vis* the nine PABs⁸. Other activities engaged in by the Authority in discharging its statutory mandate and in seeking to further its mission include co-operation with its EU and international counterparts as well as with other national and EU authorities and co-operation in the development of audit and ethical standards. The following sections discuss each of these activities in further detail.

2. Supervision of the Prescribed Accountancy Bodies

2.1 Legislative Context

As the context for the Authority's legislative functions *vis à vis* the PABs was set out in detail in the Authority's first Annual Report⁹, it is not reproduced here. In summary, the Act provides that the Authority's principal functions *vis à vis* the PABs include:

- granting approval for the PABs' constitutions and other related instruments, including, for example, rules, regulations and standards applying to those bodies' members and for proposed amendments thereto;
- supervising the operation of the PABs' investigation and disciplinary processes; and
- supervising the manner in which the Recognised Accountancy Bodies ('RABs')¹⁰ monitor their members and member firms.

⁸ The nine PABs are the:

- Association of Chartered Certified Accountants (ACCA);
- Association of International Accountants (AIA);
- Chartered Institute of Management Accountants (CIMA);
- Chartered Institute of Public Finance & Accountancy (CIPFA);
- Institute of Chartered Accountants in England & Wales (ICAEW);
- Institute of Chartered Accountants in Ireland (ICAI);
- Institute of Chartered Accountants of Scotland (ICAS);
- Institute of Certified Public Accountants in Ireland (ICPAI); and
- Institute of Incorporated Public Accountants (IIPA).

⁹ The Authority's first Annual Report can be accessed at <http://www.iaasa.ie/publications/index.htm>

¹⁰ Six of the nine PABs are also RABs. A RAB is a body that has been recognised for the purposes of section 187 of the Companies Act, 1990. RABs are permitted to register or license their members for the purpose of entitling such persons to practice as auditors. The six RABs are the:

- Association of Chartered Certified Accountants (ACCA);
- Institute of Chartered Accountants in England & Wales (ICAEW);
- Institute of Chartered Accountants in Ireland (ICAI);
- Institute of Chartered Accountants of Scotland (ICAS);
- Institute of Certified Public Accountants in Ireland (ICPAI); and
- Institute of Incorporated Public Accountants (IIPA).



2.2 Supervisory activities during the year

As those aspects of the Authority's Work Programme 2006/08 of relevance to the supervision of the PABs, together with the Authority's supervisory approach and methodology were described in considerable detail in the Authority's first Annual Report¹¹, they are not reproduced here. In summary, the Authority's supervisory activities *vis à vis* the PABs during the year fell, broadly, into the following categories:

- I Approvals related activities;
- II Supervisory reviews;
- III Complaints handling;
- IV Statutory Enquiries & Investigations;
- V PABs' annual returns;
- VI Considering applications for RAB status; and
- VII Responding to enquiries from members of the public.

3. Approvals related activities

3.1 Overview

Given the importance of the PABs' constitutional and related documents from a supervisory perspective, approvals related activities were given a primary focus during 2007. The Authority's role in approving the PABs' rules and regulations etc. derives from section 9(2)(c) of the Act, which provides that the Authority's functions include approving and requiring changes to:

- the constitution and bye-laws of the PABs, including each PAB's investigation and disciplinary procedures and its standards; and
- any amendments to the approved constitution or bye-laws of each PAB, including each PAB's investigation and disciplinary procedures and its standards.

The term '*standards*' as used above is defined in section 4 of the Act as "*standards*", *in relation to a prescribed accountancy body, means the rules, regulations and standards that body applies to its members and to which, by virtue of their membership, they are obliged to adhere*'.

The Authority's approval related activities seek, *inter alia*, to identify any areas and/or aspects of the PABs' constitutional and related documents in respect of which amendment might serve to further strengthen the transparency and efficacy of the PABs' governance and regulatory structures, thereby contributing to the further enhancement of public confidence in the manner in which the PABs regulate and monitor their members. The Authority's approval process, while thorough and demanding, is collaborative and seeks, *inter alia*, to take account of:

- international best practice in regulatory and corporate governance matters;
- the provisions of the EU Statutory Audit Directive¹²;

¹¹ The Authority's 2006 Annual report can be accessed at <http://www.iaasa.ie/publications/index.htm>

¹² The Statutory Audit Directive is the revised EU 8th Company Law Directive (2006/43/EC) which can be accessed on the Authority's website at <http://www.iaasa.ie/legislation/index.htm>

- relevant recommendations of the Review Group on Auditing¹³; and
- relevant legal requirements.

By its nature, the approvals process requires significant resources and attention from both the Authority and the PABs and, in that context, there have been significant efforts by both the PABs and the Authority in seeking to ensure that the process is as efficient as possible.

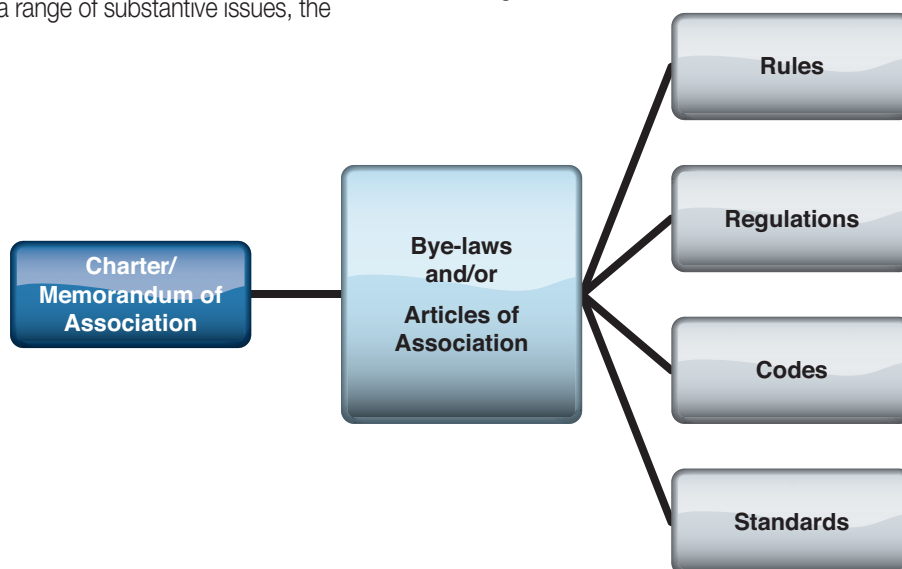
The Authority's approval activities during the year identified a number of significant issues and, in the case of a number of the PABs, the process acted as an impetus and provided an opportunity for them to perform a thorough review and restructuring of their constitutional and related documents. In addition to identifying a range of substantive issues, the

Authority's reviews also contributed towards improving the quality and clarity of a number of the PABs' constitutional documents, bye-laws and standards by:

- enhancing transparency and ease of use;
- eliminating conflict and/or inconsistency between the provisions of individual documents;
- reducing ambiguity in the drafting of certain provisions; and
- removing unnecessary repetition and duplication of provisions between individual documents.

3.2 Structure of PABs' constitutional documents

The PABs' constitutional documents typically follow a hierarchical structure such as that shown in the diagram below.



¹³ The Review Group on Auditing was established in December 1999 by the then Minister for Enterprise, Trade and Employment. Its report, which was published in July 2000, set out a substantial number of recommendations with regard to the regulation and supervision of the auditing profession.



3.3 Approvals

During the year the Authority granted its approval in respect of the following:

Table 6
Approvals granted during 2007

Charters	1
Memoranda of Association	1
Articles of Association	1
Sets of existing full-suite Bye-laws	1
Sets of amended Bye-laws	2
Sets of Regulations	10
Sets of amended Regulations	7
Codes of Ethics and Conduct	1
Total	24

In addition to the foregoing, at year end, reviews of the following had either been initiated or were ongoing:

Table 7
Approval related matters initiated and ongoing by year end

Memoranda of Association	2
Articles of Association	2
Sets of existing full-suite Bye-laws	3
Sets of proposed amendments to Bye-laws	1
Sets of proposed amendments to Regulations	2
Total	10

4. Supervisory reviews

During the year, the Authority completed two of the three supervisory reviews which had been ongoing at 31 December, 2006. While considerable progress was made on the third review, significant issues identified during the course of the review resulted in the Authority having to defer the commencement of other planned reviews in order to facilitate the level of examination and enquiry judged to be necessary in view of the significance of the issues identified. This latter review was ongoing at year end.

The nature of the Authority's findings arising from its supervisory reviews is reflected in a high level and non-body specific manner in section 9.

5. Complaints handling

For the purposes of the analyses set out in this Chapter a 'Complaint' includes any expression of dissatisfaction with accounting related services and/or with the regulation of accountants by the PABs, whether communicated to the Authority by members of the public or otherwise. The Authority received 18 complaints during the period under review and the nature of those complaints, together with details of the manner in which complaints were dealt with, is set out in the following Tables. Handling of complaints received forms an important part of the Authority's supervision of the PABs in that analysing the nature of complaints received together with the Authority's examination thereof enables the Authority to

determine if the issues complained of are of an isolated nature or whether they are indicative or symptomatic of wider or systemic issues.

5.1 Complaints received

Details of complaints received during the year, together with comparative data in respect of the period ended 31 December 2006, are set out in Table 8 above.

In respect of the four complaints referred to the Section 23 process during 2007, the Board established two separate Preliminary Enquiry Committees¹⁵. At year end, all four matters remained under consideration by

the relevant Committees in accordance with the provisions of the Companies (Auditing and Accounting) Act, 2003 (Procedures Governing the Conduct of Section 23 Enquiries) Regulations, 2007. An overview of the Regulations governing Section 23 Enquiries is set out in detail in Section 6 of this chapter.

5.2 Complaints closed

As can be seen from Table 9, a total of 15 complaints were closed during the year. The manner in which those complaints were closed is set out in Table 9.

Table 8 Complaints received

	2007	2006 ¹⁴
Complaints on hand at beginning of year/period	4	0
Complaints received during the year/period	18	27
Complaints closed during the year/period	(15)	(23)
Complaints on hand at year/period end	7	4
Analysed by:		
Complaints under consideration by the executive at year/period end	3	4
Complaints referred to the Section 23 process	4	0
Complaints on hand at year/period end	7	4

Table 9 Complaints closed

	2007	2006
Referral to relevant PAB ¹⁶	8	21
Referral to another regulatory/enforcement body	0	1
Pursued with the relevant PAB as a regulatory matter	7	0
Complaint withdrawn by complainant	0	1
Complaints closed during the year/period	15	23

¹⁴ Data presented is in respect of the period from the Authority having been conferred with statutory powers vis à vis the PABs (i.e. 3 February, 2006) to 31 December, 2006

¹⁵ Committee membership details are set out in Chapter 1 of this Report

¹⁶ Under the regulatory model provided for by the Act, primary responsibility for investigating complaints relating to members of the PABs resides with the PABs. Accordingly, where the Authority receives complaints in circumstances where the matter has not, in the first instance, been referred to the relevant PAB, the Authority refers the matter to the PAB for processing under its approved investigation and disciplinary procedures.



5.3 Nature of complaints received

Set out in Table 10 is an analysis of the nature of issues giving rise to complaints made to the Authority during the year.

- any other decision of a PAB relating to a possible breach of its standards by a member.

Section 28(4) of the Act further provides that the Authority shall make Regulations respecting the procedures to be followed in conducting enquiries under Section 23.

6. Statutory Enquiries & Investigations

6.1 Regulations governing the conduct of Section 23 Enquiries

6.1.1 Legislative framework

Section 23 of the Act provides that the Authority may, following a complaint or on its own initiative and for the purpose of determining whether a PAB has complied with its approved investigation and disciplinary procedures, enquire into:

- a decision by a PAB not to undertake an investigation into a possible breach of its standards by a member;
- the conduct of an investigation by a PAB into a possible breach of its standards by a member; or

6.1.2 Consultation on draft Regulations

In January 2007, the Authority published draft Section 23 Regulations, together with a Consultation Paper¹⁷ in which interested parties were invited to comment on a range of aspects of the proposed Regulations. A total of 8 submissions were received and, having considered respondents' views in detail, the Authority issued the text of its final Section 23 Regulations in June, 2007. Concurrent with publication of the text of the Regulations, the Authority also published a Feedback Paper¹⁸, in which respondents' views on key aspects of the draft Regulations were made public, together with the Authority's analysis thereof and, where applicable, reasons for not accepting

Table 10
Nature of issues giving rise to complaints

	Total	Active at year end	Closed
Failure to release client documentation	1	0	1
Allegation of unsatisfactory work	6	0	6
Alleged delays in PABs' disciplinary processes	4	0	4
Dissatisfaction with some aspect of the PABs' disciplinary procedures	6	1	5
Fee dispute	1	0	1
Total	18	1	17

¹⁷ Consultation Paper CP 1/07, which is available at http://www.iaasa.eu/publications/CP_1-07.pdf

¹⁸ The Feedback paper is available at http://www.iaasa.eu/legislation/S23_Feedback.pdf

respondents' requests for amendments to the draft Regulations.

6.1.3 Statutory Instrument No. 667 of 2007

Having determined the final content of the Regulations, the Authority set about the necessary legal process of having the Regulations published as a Statutory Instrument. The resultant Statutory Instrument, entitled the *Companies (Auditing and Accounting) Act, 2003 (Procedures Governing the Conduct of Section 23 Enquiries) Regulations, 2007*¹⁹, was published in September, 2007.

6.1.4 Overview of the Enquiry process as provided for by the Companies (Auditing and Accounting) Act, 2003 (Procedures Governing the Conduct of Section 23 Enquiries) Regulations, 2007

The Regulations are based on the premise that the exercise of enquiry and enforcement powers must be performed in a manner that accords with applicable principles of procedural fairness, natural and constitutional justice, the requirements of administrative law and applicable human rights legislation. To that end, the Regulations provide that, once initiated, Enquiries under section 23 are split into two discrete phases. The first phase is conducted by a Preliminary Enquiry Committee, and where applicable, the second phase is conducted by an Enquiry Committee. The Regulations further provide that such Committees (known generically as Section 23 Committees) shall have among their membership at least two directors of the Authority and, moreover,

that no person may serve on both the Preliminary Enquiry Committee and Enquiry Committee in any given matter. The Regulations further provide that members of the PABs may not constitute a majority of any Section 23 Committee. Set out below are some of the key features of the Regulations.

6.1.4.1 Preliminary Enquiry Committees

The purpose of a Preliminary Enquiry Committee is to determine whether the Authority should initiate a full Enquiry under Section 23. Under the Regulations, a full Enquiry will be initiated where:

- I a Preliminary Enquiry Committee determines that there is a *prima facie* case that a PAB has failed to comply with its approved investigation and disciplinary procedures; and
- II the circumstances of the matter are such as to warrant the initiation of a full Enquiry.

Where a Preliminary Enquiry Committee forms the view that the matter under investigation is better, or more appropriately, dealt with by way of supervisory action rather than through the initiation of a full Enquiry, it will report its view to the Authority and the Authority may, if it considers it appropriate to do so, direct that the Preliminary Enquiry Committee report such facts and circumstances to the Chief Executive (who may not, under the Regulations, be a member of a Section 23 Committee) and to the Head of Regulatory & Monitoring Supervision.

¹⁹ The Statutory Instrument is available at http://www.iaasa.ie/legislation/si667_2007.pdf



6.1.4.2 Enquiry Committees

As a consequence of the foregoing approach, the second phase of an Enquiry (i.e. that element conducted by an Enquiry Committee) only becomes relevant in circumstances where a Preliminary Enquiry Committee has first determined that there is a *prima facie* case that a PAB has failed to comply with its approved investigation and disciplinary procedures and that the circumstances of the matter are such as to warrant the initiation of a full Enquiry.

The role of an Enquiry Committee is to conduct a full Enquiry into whether a PAB has failed to comply with its approved investigation and disciplinary procedures and, in the event that this is found to be the case, to determine what sanctions, if any, should be imposed on the PAB concerned.

In conducting its Enquiry, an Enquiry Committee may:

- inspect and take copies of all relevant documents in the possession or control of the PAB concerned;
- require the PAB to explain why it reached a decision not to undertake an investigation into a possible breach of its standards by a member, or any decision of that PAB relating to a possible breach of its standards by a member;
- if the PAB conducted an investigation, require it to explain how it conducted its investigation; and
- conduct oral hearings.

In arriving at a determination, the standard of proof on which an Enquiry Committee shall make its findings is on the balance of probabilities.

6.1.4.3 Decisions of the Authority

The Regulations provide that, having completed its Enquiry, an Enquiry Committee shall, in respect of each alleged failure to comply with approved investigation and disciplinary procedures, make a finding as to whether the allegation has been established.

Where an allegation is determined as not having been established, the Regulations provide that the Authority shall provide statement to that effect to both the PAB and the member(s) of the PAB who was/were the subject of the original PAB decision. Conversely, where an allegation is determined as having been established, the Regulations provide that the Enquiry Committee shall decide as to which, if any, sanctions shall be imposed on the PAB concerned.

6.1.4.4 Sanctions

Where an Enquiry Committee makes a determination to the effect that a PAB has failed to comply with its approved investigation and disciplinary procedures, it can impose any of the following sanctions:

- advise the PAB;
- admonish the PAB; or
- censure the PAB by:
 - annulling all or part of a decision of the PAB relating to the matter that was the subject of the Enquiry;

- u directing the PAB to conduct an investigation into the m.g the PAB to pay to the Authority an amount not exceeding €125,000 or such other amount as prescribed by the Minister from time to time.

The Regulations further provide that, in determining the level of sanctions that should apply, an Enquiry Committee will have regard to all of the circumstances of the matter, which may include, *inter alia*, the following factors:

- whether the failure to comply was deliberate, dishonest, reckless or negligent;
- the duration/frequency of the failure to comply; and
- the extent to which the failure to comply deviated from the required procedure.

6.1.4.5 Appeal

Where an Enquiry Committee makes a determination to the effect that a PAB has failed to comply with its approved investigation and disciplinary procedures, the PAB concerned has a right of appeal to the High Court. An appeal must be made within 3 months of the date of Notice being given by the Authority.

6.1.4.6 Publication of decisions

In accordance with section 23(7) of the Act, the Authority may publish a decision that an allegation has been established, together with the reasons for that decision, in any manner it sees fit, after having given written notice of no less than 3 months to the

PAB and all members concerned of its intention to do so.

6.2 Section 24 Regulations

Section 24 of the Act provides that the Authority may, if considered appropriate or otherwise in the public interest, undertake an investigation into a possible breach of a PAB's standards by a member. As is the case with Section 23 Enquiries, section 28(4) of the Act provides that the Authority shall make Regulations respecting the procedures to be followed in conducting a Section 24 Investigation. During the year Authority staff continued to develop draft Section 24 Regulations with a view to initiating a public consultation process on same. By year end, the draft Regulations were at a relatively advanced stage of drafting and the Authority was continuing to liaise with its external legal advisors regarding the finalisation of same for public consultation purposes.

7. Annual Returns

7.1 Prescribed Accountancy Bodies' annual returns

On an annual basis, the Authority requires the PABs to complete an annual return, the purpose of which is twofold, *viz*:

- I To provide the Authority with information necessary to enable it to:
 - u monitor the PABs' ongoing regulatory, monitoring and related activities; and
 - u plan for supervisory reviews by, for example, identifying key areas, issues or trends



deserving of particular attention or resource allocation; and

- II To enable the Authority to provide the public with an insight into the scale of the profession and the PABs' principal activities on an annual basis.

By definition, certain of the information sought from the PABs is confidential - or otherwise sensitive in nature - and is, principally, for the Authority's internal use as opposed to being collected and collated for the purpose of publication. That being the case, not all data collected from the PABs is made public by the Authority. Those elements of the data considered appropriate for publication, together with the Authority's analysis thereof, are set out in detail in Chapter 7 of this Report.

While the annual return template circularised to the PABs in respect of 2007 was based on the data sets collected by the Authority in respect of 2006, certain amendments were made to the 2007 templates. Amendments made in respect of 2007 were, broadly, effected for two reasons, as set out hereunder:

- I Arising from the Authority's experience of analysing the information provided in 2006, and with a view to enhancing the usefulness of the annual return from both the regulatory and publication perspectives, some new data requests were included, while certain previously requested data were no longer considered necessary. In addition, with a view to improving the

completeness, consistency and clarity of information provided, amendments to certain categories and classifications were effected;

- II In the context of ongoing consultation with the PABs regarding the annual return process and with a view to updating the annual return template for the 2007 submission, each PAB was invited to provide feedback regarding:

- the 2006 annual return process and any improvements that could be effected to it;
- information not currently requested that the PABs consider would be useful for the Authority to capture; and
- any other suggestions as to how the information provided by the PABs and the information published by the Authority might be enhanced from a user perspective.

Arising from that consultation process, and to the extent practicable, suggestions made by the PABs were reflected in the 2007 annual return templates.

7.2 Annual Returns –

Individually Authorised Auditors

The Authority also requests annual returns from individuals, who, while not being members of a RAB, are entitled to perform statutory audit work on foot of Ministerial authorisations granted prior to 3 February, 1983. A list of such individuals (referred to as 'Individually Authorised Auditors') is set out in Chapter 7, Part F.



8. Considering applications for recognised accountancy body status

8.1 Legislative context and framework

Section 187 of the Companies Act, 1990 ('the 1990 Act') provides, *inter alia*, that a person shall not be qualified for appointment as an auditor of a company unless s/he is a member of a body of accountants for the time being recognised by the Authority.

Section 191 of the 1990 Act provides that the Authority may grant recognition to a body of accountants but only if satisfied regarding certain matters, including the applicant body's standards relating to training, qualifications and repute and the applicant body's standards as applied to its members in the areas of ethics, codes of conduct and practice, independence, professional integrity, auditing standards, accounting standards and its investigation and disciplinary procedures.

8.2 Authority's recognition activities

The Authority has established a Committee to examine the one application for RAB status that has to date been submitted (details of the Committee's membership are set out in Chapter 1 of this Report). During the year the Committee continued to progress its consideration of the application and, at year end, the Committee's consideration of the application had reached an advanced stage.

9. Responding to enquiries from members of the public

The Authority received a total of 92 enquiries during the year, compared to 45 in respect of the period ended 31 December, 2006. The nature of enquiries received during the year is analysed in the Table below.

Table 11
Nature of enquiries received

	2007	2006 ²⁰
Enquiries regarding the Companies (Auditing and Accounting) Act, 2003 and/or the Companies Acts generally	46	12
Enquiries relating to PABs or individual accountants/auditors	27	13
Enquiries regarding the Authority's role or the Authority's and the PABs' respective roles	12	8
Enquiries regarding how to lodge a complaint with the Authority and/or the PABs	2	8
Enquiries relating to the functions of other regulatory bodies	1	2
Miscellaneous enquiries	4	2
Total	92	45

²⁰ Data presented is in respect of the period from the Authority having been conferred with statutory powers *vis a vis* the PABs (i.e. 3 February, 2006) to 31 December, 2006



10. Supervision of the Prescribed Accountancy Bodies – findings and Authority responses thereto

Set out in Table 12, on a non-body specific basis, is an overview of the nature of some of the more significant issues that have arisen in the course of the Authority's supervision of the PABs during the year, together with an overview of the Authority's responses thereto.

By identifying issues and working with those charged with the management and governance of the relevant PABs, the Authority's supervisory activities seek to further improve the efficacy of those systems and processes in a timely fashion, thereby:

- contributing to the promotion of the public interest; and
- contributing to the enhancement of public confidence in the manner in which the PABs are regulating and monitoring their members.

In studying the following Table, readers should be cognisant of the fact that the findings set out therein may relate to one or more PABs.

Certain issues which were identified during the Authority's supervisory activities in 2006, and which were described in considerable detail in the Authority's first Annual Report, were equally identified as being issues in the context of the Authority's reviews of other PABs during 2007. While the Authority's responses to its findings varied and had regard to, *inter alia*, the significance of the issues in question, actions taken and recommendations tabled tended to be consistent with those taken by the Authority in the context of its similar findings during 2006. In all cases, the Authority's focus continued to be on effecting improvements in the relevant PABs' systems and processes rather than on the particulars of specific cases. At period end, a number of these matters remained under active consideration.

Table 12**Summary of principal findings arising from Authority supervisory activities - 2007**

Category /Summary Finding	Authority response
1. Monitoring (i.e. RABs' monitoring of the quality of members' and member firms' audit work)	
1.1 Weaknesses and deficiencies in the processes and procedures for performing quality assurance reviews of member firms.	The Authority recommended that specified measures and procedures be put in place to strengthen quality assurance processes and to facilitate external review of same.
1.2 Non-compliance with internally set monitoring cycles in the context of the frequency of quality assurance reviews of member firms.	Having established the underlying causes of non-compliance, and where specific proposals had been furnished to the Authority as to how issues arising might be addressed, the Authority monitored progress of same during the course of the year. In other instances, the Authority was continuing to engage with relevant parties at year end - with particular emphasis on the quality assurance cycle requirements of the EU Statutory Audit Directive.
1.3 Partial progress only in monitoring members'/member firms' implementation of International Standard on Quality Control (UK and Ireland) No. 1 ('ISQC 1') ²¹ , which requires member firms authorised to carry out audit work to establish, document and communicate their quality control systems.	The Authority, <i>inter alia</i> , sought the broadening of the scope of the monitoring process with a view to ensuring appropriate coverage of compliance by member firms with ISQC1.
2. Discipline	
2.1 Delays in the processing of complaints received from members of the public regarding members and member firms.	Having established the cause of such delays, the Authority monitored the steps being taken by the bodies' management with a view to addressing the issues arising and, in a number of cases, was continuing to do so at period end.

²¹ Issued by the Auditing Practices Board ('APB')



Category /Summary Finding	Authority response
2.3 Issues relating to the composition of Disciplinary and Appeal Committees.	In the course of its supervisory activities, the Authority considers, <i>inter alia</i> , whether bodies' Disciplinary and Appeal Committees comprise a majority of lay ²² members. Where this was identified as not being the case, the Authority engaged with the relevant bodies with a view to bringing about the necessary changes to their investigation and disciplinary arrangements.
2.4 Issues relating to whether bodies' investigation and disciplinary procedures require the proceedings of Disciplinary and Appeal Committees to be held in public by default.	Where it was identified that the operation of Disciplinary and Appeals Committees is not provided for as being required to be held in public by default, the Authority engaged with the relevant bodies with a view to bringing about the necessary changes to their investigation and disciplinary arrangements in the interests of transparency.
3. Licensing and registration	
3.1 Issues relating to the RABs' licensing and registration of members and member firms.	The Authority engaged with bodies' management and governing bodies with a view to addressing the issues arising and, in a number of cases, was continuing to do so at year end.
4. Constitutional documents, Bye-laws etc	
4.1 Issues of varying significance regarding interpretation of, and compliance with, the provisions of bodies' constitutions, bye-laws and regulations.	The Authority's response to such findings varied and had regard, <i>inter alia</i> , to the significance of the issues in question. Actions included seeking immediate amendments/improvements to current practices and, at period end, a number of these matters remained under active consideration.

²² Lay persons are considered to be persons who are not also members of the body concerned.

Category /Summary Finding	Authority response
<p>4.2 A range of issues were identified in documents presented for approval to the Authority, resulting in the Authority considering it necessary to request a number of PABs to undertake detailed reviews of same in advance of approval. Examples of issues arising included:</p> <ul style="list-style-type: none"> • conflict and/or inconsistency between the provisions of individual documents; • ambiguity in the drafting of provisions; • unnecessary repetition and duplication of provisions between individual documents; • unclear/absence of delegation for underlying processes; and • ambiguity in relation to the PABs' corporate governance structures, in particular with regard to functions, powers and reporting obligations. 	<p>In response, the Authority has engaged with bodies' management and governing bodies with a view to addressing the issues arising and, in a number of cases, was continuing to do so at year end.</p>
5. Other matters	
<p>5.1 Limited public access to the PABs' Constitutional Documents, Bye-laws and standards and to the PABs' directories of members</p>	<p>The Authority encourages the PABs to provide public access to their Constitutional Documents, Bye-laws and standards and to their directories of members. In cases where such access is not currently provided, the relevant PABs have agreed to consider the matter and to take appropriate action in the context of copyright and/or data protection issues.</p> <p>The Authority continues to liaise with the PABs on a bilateral basis with a view to addressing the issues arising and, in a number of cases was continuing to do so at year end.</p>



11. Co-operation with EU and international counterparts

11.1 European Group of Auditors' Oversight Bodies ('EGAOB')

11.1.1 Overview

The Authority is a member of the EGAOB, an expert group established by the EU Commission to assist it in the context of the EU-wide implementation of the EU Statutory Audit Directive. The EGAOB's principal functions are to:

- facilitate co-operation between Member States' public oversight systems and bring about the exchange of good practice concerning the establishment and ongoing operation of such systems;
- contribute to the technical assessment of public oversight systems of 3rd countries and to the international co-operation between Member States and 3rd countries in this area; and
- contribute to the technical examination of international auditing standards, including the process for their elaboration, with a view to their adoption at EU level.

Much of the EGAOB's work is performed through its Sub-Groups, of which there are three, viz:

- I Sub-Group Co-operation;
- II Sub-Group Quality Assurance; and
- III Sub-Group ISA (International Standards on Auditing).

The Authority is a member of both the Co-operation and Quality Assurance Sub-Groups and during the year was an active participant in both. Set out hereunder is a brief summary of the principal issues considered by these Sub-Groups during the year.

11.1.2 Sub-Group Co-operation

The Sub-Group deals principally with the practical implications of those provisions of the EU Statutory Audit Directive pertaining to co-operation between:

- I Member States' oversight bodies; and
- II Member States' oversight bodies and 3rd countries' oversight authorities.

In that context, the Sub-Group considered, *inter alia*, the following issues during the year:

- methodologies for assessing the equivalence of 3rd countries' audit regulatory arrangements;
- consideration of provisional assessments of the equivalence of relevant 3rd countries' audit regulatory arrangements;
- examination of certain 3rd countries' confidentiality arrangements and methodologies for assessing the equivalence of same;
- measures to facilitate and assist Member States' oversight authorities co-operation; and
- 3rd countries' arrangements for dealing with EU audit firms.

11.1.3 Sub-Group Quality Assurance

Issues considered by the Sub-Group during the year included:

- co-operation between Member States' competent authorities for audit oversight;
- a possible Commission Recommendation on Quality Assurance;
- co-operation with 3rd country audit oversight authorities; and
- possible common approaches towards the reporting of findings.

11.1.4 Commissioner's Audit Package

In December, 2007 Internal Market & Services Commissioner, Mr Charlie McCreevy, presented his proposals for a 'Statutory Audit Package' to the Legal Affairs Committee of the European Parliament in advance of the EU Statutory Audit Directive's coming into effect in Member States on 29 June, 2008. In his speech²³, the Commissioner dealt with many of the issues that had been considered by the EGAOB and its Sub-Groups during the year, including:

- the independence of inspections of audit firms, where he indicated his intention to issue a Recommendation to Member States in early 2008 in the context of auditors of listed issuers. In that context, he announced that the Recommendation would:

- give more responsibility to public oversight bodies;
- strengthen the independence of inspectors; and
- provide more transparency on the outcome of inspections.
- International Standards on Auditing, where he indicated:
 - u that it is too early for the Commission to decide on whether to adopt same for use in the EU but, rather, that he wishes to (i) see how the IAASB's²⁴ Clarity Project proceeds and; (ii) consider further at the IAASB's governance; and
 - u that the Commission has launched two studies, the first into the costs and benefits attaching to introducing ISAs in the EU and the second into the differences between ISAs and US GAAS²⁵;
 - u his intention to revisit the issue of EU adoption of ISAs towards the end of 2008
- co-operation with 3rd countries, where he indicated his intention to introduce transitional measures the effect of which would be to allow audit firms from certain 3rd country jurisdictions to continue to undertake audits of EU listed issuers post June 2008 for a transitional period pending full assessments of those jurisdictions'

²³ The full text of the Commissioner's speech can be accessed at <http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/07/835&format=HTML&aged=0&language=en>

²⁴ International Auditing and Assurance Standards Board

²⁵ Generally Accepted Auditing Standards



equivalence. He further indicated his intention that the transitional period would apply to financial years starting between the date of application of the EU Statutory Audit Directive and 1 January, 2011. He elaborated on this concept by indicating that the aforementioned transitional provisions would only be made available to 3rd country audit firms that provide information about themselves, the audit and independence requirements that they apply when carrying out audits and any inspection reports relating to them.

In his speech the Commissioner also addressed the issues of:

- auditors' liability, where he indicated his intention to issue a Recommendation to Member States in early 2008 to the effect that auditors' liability be limited with a view to addressing to some extent the risks attaching to there currently being such a small number of audit firms providing audit services to EU listed issuers;
- audit firm ownership restrictions, where he announced his intention to launch a public consultation during 2008; and
- Member States' progress in implementing the EU Statutory Audit Directive, indicating his intention to publish a 'Scoreboard' on same in the spring of 2008.

11.2 International Forum of Independent Audit Regulators (IFIAR)

IFIAR, which was established on 15 September, 2006 and whose membership comprises international audit regulatory bodies, has the following broad objectives:

- to facilitate the sharing of knowledge of the audit market and practical experience on independent audit regulatory activity;
- to facilitate collaboration in the area of audit regulatory activity; and
- to provide a focus for contacts with other international organisations which have an interest in audit quality.

As a founder member of IFIAR, during the year the Authority continued to be an active member and participant. IFIAR members met on three occasions during the year, twice at plenary meetings and once at a workshop devoted to the topic of audit inspections.

In March, 2007 IFIAR members met in Tokyo to discuss, *inter alia*, the following issues:

- the drivers of audit quality;
- exchange of information between audit regulators;
- the availability of high quality audits where the market for the provision of such services is highly concentrated;
- relations with countries in the process of establishing audit oversight authorities;
- registration of auditors of foreign issuers; and
- ongoing dialogue with other international organisations having an interest in audit quality.

In May, 2007, IFIAR members attended an audit inspections workshop in Amsterdam where the following issues were considered and discussed:

- inspection techniques and experience, including on the topics of whole firm and file reviews;
- staffing and technology; and
- reporting of findings.

In September, 2007, IFIAR members met again in plenary in Toronto where many of the issues addressed in Tokyo were considered further. Other issues discussed included:

- possible implications for audit regulators arising from market turbulence;
- the role of inspections in driving audit quality;
- co-operation between regulators in relation to registration and/or notification of auditors of foreign issuers;
- issues relating to International Standards on Auditing; and
- the future role and organisation of IFIAR.

IFIAR comprises members from 24 countries²⁶. IFIAR meetings are also attended by observers from the following organisations:

- Financial Stability Forum;
- Public Interest Oversight Board;

- International Organisation of Securities Commissions;
- Basel Committee;
- International Association of Insurance Supervisors;
- World Bank; and
- European Commission.

Under terms agreed by IFIAR members, membership of IFIAR is confined to organisations which are:

- independent of the audit and accountancy profession, which means:
 - u a majority of the relevant governing body should be non-practitioners; and
 - u funding should be free from undue influence by the profession; and
- engaged in regulatory functions in the public interest, and, in particular:
 - u responsible for the system of recurring inspection of audit firms undertaking audits of public interest entities; and
 - u exercise that responsibility either directly or through oversight of inspection undertaken by professional bodies.

11.3 Bilateral co-operation with international oversight bodies

In addition to multi-lateral co-operation through the EGAOB and IFIAR during the year, the Authority also continued to seek to develop and maintain strong

²⁶ Australia, Austria, Brazil, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Korea, Luxembourg, Mauritius, Netherlands, Norway, Singapore, South Africa, Spain, Sri Lanka, Sweden, Switzerland, United Kingdom and the United States.



bilateral links with relevant EU and international oversight bodies. Of particular significance in an Irish context are the Authority's links with:

- the UK's Professional Oversight Board ('POB'), given that a number of the PABs also come within the remit of the POB; and
- the US Public Company Accounting Oversight Board ('PCAOB'), given that a number of Irish audit firms are also PCAOB registrants.

In the context of its relationship with the latter, Authority representatives attended the inaugural meeting of the PCAOB's Audit Regulatory Institute in May.

12. Co-operation in the development of auditing and ethical standards

Section 9(2) of the Act provides that the Authority's functions include:

- co-operation with the RABs and other interested parties in the development of standards relating to the independence of auditors; and
- co-operation with the PABs and other interest parties in the development of auditing standards and practice notes.

In view of the foregoing, the Authority sought and has been granted observer status at the Auditing Practices Board (APB). The Authority's attendance at APB meetings facilitates in assisting the Authority to:

- discharge its statutory role in this regard; and
- identify at an early stage issues that may have a particular importance/significance in an Irish context.

Issues considered by APB of particular relevance to Ireland during the year included amendments that might be necessary to extant audit and ethical standards in order to align same with the requirements of the EU Statutory Audit Directive, which is due to be transposed into Irish law by the end of June, 2008.

In addition, the Authority and APB Chairs met during the year and discussed a range of issues including the process for developing Irish specific guidance (i.e. Irish Practice Notes) and the harmonisation of audit standards through the implementation of the EU Statutory Audit Directive. At that meeting, the parties further committed to scheduling regular meetings at that level for the purpose of discussing issues of common interest.



Chapter 4

Monitoring the compliance
of certain issuers' periodic
financial reporting with relevant
reporting frameworks



Chapter 4

Monitoring the compliance of certain issuers' periodic financial reporting with relevant reporting frameworks

1. Introduction

This Chapter provides a summary of the activities undertaken by the Authority during the year in seeking to achieve its mission to support and enhance public confidence in financial reporting through the exercise of effective, independent oversight. The Authority's activities in this regard are concerned principally with its role as the designated competent authority in the State for examining the compliance of issuers' periodic financial reporting with relevant reporting frameworks. Ancillary activities include co-operation with EU counterparts, *inter alia*, for the purpose of promoting the consistent enforcement of International Financial Reporting Standards (IFRS) across the European Union and co-operation in the accounting standard-setting process. The following sections discuss each of these roles in further detail.

2. The EU Transparency Directive

2.1 Context for and purpose of the Directive

The EU Transparency Directive²⁷ ('the Directive') is one of the elements of the EU Commission's Financial Services Action Plan (FSAP), with others including the Market Abuse, Prospectus and Markets in Financial Instruments (MiFID) Directives. As such, the Directive is concerned with the harmonisation of information requirements applying to entities whose securities have been admitted to trading on a regulated market situated, or operating, in the EU. Specifically, the

Directive seeks to enhance transparency in EU capital markets through a common framework which requires:

- the production of periodic financial reports;
- shareholders to disclose major shareholdings;
- the dissemination of regulated information; and
- the provision of central mechanisms for sharing regulated information.

2.2 Transposition of the Directive into national law

Following its adoption by the European Parliament and Council on 15 December, 2004, the Directive came into effect in Ireland from 13 June, 2007. The Directive has been transposed into national law through a combination of:

- primary legislation, viz, the Investment Funds, Companies and Miscellaneous Provisions Act, 2006; and
- secondary legislation, viz, the Transparency (Directive 2004/109/EC) Regulations, 2007 ('the Regulations').

2.3 The Authority's role under the Directive

While the central competent administrative authority for Directive purposes in Ireland is the Central Bank and Financial Services Authority of Ireland (referred to hereinafter as the 'Financial Regulator'), the Directive provides that Member States may designate a competent authority other than their central

²⁷ Directive 2004/109/EC



competent administrative authority for the purposes of Article 24(4)(h), i.e. for examining information prepared pursuant to the Directive's requirements²⁸. In that context, and having regard to the Authority's objects – which include a role in monitoring certain entities' financial reporting under section 26 of the Act – the Minister, having consulted with the Authority and other interested parties, took the decision to designate the Authority as an independent competent authority for the purposes of Article 24(4)(h) of the Directive. The Minister's decision in this regard was given effect to by Regulation 36(2) of the Regulations²⁹.

Further to the foregoing, Regulation 42(2) provides that *'IAASA shall examine information drawn up pursuant to Regulations 4 to 8 by issuers whose home Member State is the State for the purpose of considering whether such information is in accordance with the relevant reporting framework'*. A summary of the requirements of Regulations 4 to 8 is provided in section 2.5.

2.4 Scope of the Directive

The Directive applies to issuers whose securities have been admitted to trading on a regulated market situated, or operating, within the EU. Securities³⁰ in this context, includes shares, bonds and other forms of securitised debt, derivative securities and units issued by closed-end investment funds. However, pursuant to Regulation 2, the scope of the Regulations does not extend to open-ended³¹ investment funds. Similarly, securities listed on the Irish Enterprise Exchange ('IEX') are exempt from the requirements of the Directive as the IEX is not authorised as a regulated market under Part 6 of the MiFID Regulations³².

Table 13 sets out, in approximate terms, the scale of the review constituency, as notified to the Authority by the Irish Stock Exchange on behalf of the Financial Regulator³³. It should be noted that this data excludes issuers whose home Member State is the State (e.g. an issuer that is incorporated in the

²⁸ Recital 28 refers.

²⁹ Regulation 36(2) provides that *'IAASA is designated as the competent authority for the purposes of subparagraph (h) of Article 24(4) of the Directive and shall be responsible for carrying out the obligations provided for in that subparagraph and for ensuring that the provisions adopted pursuant to the Directive in respect thereof are applied'*.

³⁰ Regulation 2 provides that *"securities" means transferable securities as defined in Article 4(1), point 18, of Directive 2004/39/EC ...with the exception of money-market instruments, as defined in Article 4(1), point 19, of that Directive having a maturity of less than 12 months'*. Article 4(1), point 18 defines transferable securities as *'those classes of securities which are negotiable on the capital market, with the exception of instruments of payment, such as: (a) shares in companies and other securities equivalent to shares in companies, partnerships or other entities, and depositary receipts in respect of shares; (b) bonds or other forms of securitised debt, including depositary receipts in respect of such securities; (c) any other securities giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measures.'* Article 4(1), point 19, defines money market instruments as *'those classes of instruments which are normally dealt in on the money market, such as treasury bills, certificates of deposit and commercial papers and excluding instruments of payment'*.

³¹ Open ended investment funds provide redemption facilities to unit holders, whereas closed ended investment funds are fixed life funds and generally do not allow redemptions until fund liquidation.

³² European Communities (Markets in Financial Instruments) Regulations, 2007 (S.I. No. 60 of 2007)

³³ The Financial Regulator has chosen to delegate certain of its functions under the Regulations to the Irish Stock Exchange, with the latter being known as the *'Delegate Authority'*.

State) but whose securities are traded on an EU regulated market outside of the State, in respect of whom accurate data is not currently available to the Authority.

Table 13

Transparency Directive – Approximate scale and composition of the review constituency

Category of issuer	No. of Issuers
Equity issuers	37
Closed ended funds	64
Debt issuers	<u>207</u>
Total	<u>308</u>

Source: Irish Stock Exchange

2.5 Issuers' periodic financial reporting requirements

Issuers' periodic financial reporting requirements, which come within the Authority's remit and as laid down by Regulations 4 to 8, are as follows:

2.5.1 Annual financial reports

Issuers are required to make public their annual financial reports not later than four months after the end of their financial years³⁴. Issuers' annual financial reports are required to comprise, at a minimum:

- audited financial statements³⁵;
- a Management Report; and
- a Responsibility Statement³⁶.

2.5.2 Half-yearly financial reports

Issuers of shares and, subject to certain exemptions, debt securities are required to make public their half-yearly financial reports not later than two months after the end of the first six months of their financial years³⁴. Issuers' half-yearly financial reports are required to comprise, at a minimum:

- condensed financial statements³⁷;
- an Interim Management Report; and
- a Responsibility Statement³⁶.

³⁴ Issuers are further required to ensure that their financial reports remain publicly available for at least five years following publication.

³⁵ Where an issuer is required to prepare consolidated financial statements, the audited financial statements must be prepared in accordance with IFRS as adopted for use in the EU. Where an issuer is not required to prepare consolidated financial statements, the audited financial statements included in the annual financial report must be prepared in accordance with the national law of the Member State in which the issuer is incorporated.

³⁶ A Responsibility Statement is a statement made by persons responsible within the issuer to the effect that, to the best of their knowledge, the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the profit/loss and assets, liabilities and financial position of the issuer and the undertakings included in the consolidation taken as a whole, and (I) in the case of the annual management report, that it includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face, and (II) in the case of the interim management report, that it includes a fair review of (i) important events that have occurred during the first six months of the year; (ii) the impact of those events on the condensed financial statements; (iii) a description of the principal risks and uncertainties for the remainder of the financial year; and (iv) in the case of issuers of shares, details of material related party transactions.

³⁷ Where an issuer is required to produce consolidated financial statements, the condensed financial statements must be prepared in accordance with IFRS as adopted for use in the EU. Where an issuer is not required to prepare consolidated financial statements, the condensed financial statements must include at least the following: (i) a condensed balance sheet; (ii) a condensed profit and loss account; and (iii) explanatory notes, and the issuer shall follow the same principles for recognition and measurement as when preparing annual financial reports.



In addition to the foregoing, issuers are also required to comply with the Interim Transparency Rules ('Transparency Rules') published by the Financial Regulator when preparing annual and half-yearly financial reports³⁸.

2.6 Effective date for issuers and consequences for the flow of periodic financial reports in 2007

The Regulations, in setting effective dates for issuers, have drawn a distinction between issuers whose financial years commenced:

- I on or after 20 January, 2007; and
- II before 20 January, 2007.

Consequently, whereas the periodic financial reporting obligations provided for by Regulations 4 to 8 became effective immediately upon the coming into force of the Regulations for those issuers in category (i) above (i.e. on 13 June, 2007), the Regulations' periodic financial reporting requirements only become effective for issuers in category (ii) with effect from the commencement of their next financial year, for example, on 1 January, 2008 for those issuers having 31 December financial year ends.

As a consequence of the foregoing, by the end of 2007 only a relatively small number of the overall issuer population had been required to file half-yearly financial reports in accordance with the Regulations' requirements. Table 14 outlines the number of issuers

that had filed half-yearly financial reports by the end of 2007.

2.7 Review methodology – periodic financial reports

The Authority has undertaken to apply CESR³⁹ Standards on Enforcement of Financial Reporting and related guidelines. CESR standards require, *inter alia*, that participants' selection methodologies must include risk-based methodologies. The Authority's selection of issuers' periodic financial reports for review is based on a mixed model, i.e. whereby risk assessments are supplemented by cyclical and random selections. The Authority has further determined that the risk-based approach adopted will have regard to both:

- the risk of material misstatement in entities' periodic financial reports; and
- the potential impact of such a misstatement on the users of periodic financial reports and in a wider context i.e. in the general public interest.

The Authority's selection policy also has regard to information provided from other competent authorities within the State, the EU and 3rd countries as well as, where applicable, information received through complaints from members of the public.

2.8 Review activity

For reasons outlined in section 2.6 above, a relatively small number of the overall issuer population had

³⁸ The Financial Regulator's Transparency Rules can be accessed at the Financial Regulator's website (www.financialregulator.ie).

³⁹ Committee of European Securities Regulators

been required to file half-yearly financial reports in accordance with the Regulations' requirements by year end. For similar reasons, none had been required to file annual financial reports in accordance with the Regulations' requirements.

Set out in Table 14 are details of the number of half-yearly financial reports received from the Irish Stock Exchange ('ISE') by the Authority in the period from September (i.e. when issuers' reporting requirements effectively commenced) to December, 2007, together with details of the number of such reports in respect of which a review had been initiated by year end. All periodic financial reports received by year end purported to have been prepared under either IFRS or Irish GAAP⁴⁰.

2.9 Nature of the Authority's review of periodic financial reports

In summary, the Authority's reviews of issuers' periodic financial reports focus/will focus on the following.

2.9.1 Half-yearly Financial Reports - overview

The Regulations provide that Half-yearly Financial Reports shall comprise:

- condensed financial statements;
- an Interim Management Report; and
- a Responsibility Statement;

2.9.1.1 Condensed financial statements

- Whether the condensed financial statements have been prepared in accordance with the appropriate accounting Standard/Statement (i.e. IAS⁴³ 34 'Interim Financial Reporting' in the case of financial statements prepared under IFRS or

Table 14
Periodic financial reports received⁴¹ and reviewed - 2007

	Total
Periodic financial reports received by 31 December, 2007 (Equity, Funds & Debt ⁴²)	24
Periodic financial reports in respect of which reviews had been initiated by year end	11
% of periodic financial reports reviewed/in process of being reviewed by year end	46%

⁴⁰ Generally Accepted Accounting Principles, which, in an Irish context, includes the accounting standards and related interpretations as issued by the Accounting Standards Board.

⁴¹ References in this table are to periodic financial reports received by the Authority from the ISE. Where an issuer fails to file a periodic financial report in accordance with the Regulations' requirements, enforcement of that failure is a matter for the Financial Regulator.

⁴² Issuers of debt securities which were admitted to trading before 1 January, 2005 are exempt from the requirement to prepare half-yearly financial reports provided that their home Member State has allowed such issuers to benefit from the provisions of Article 27 of Directive 2001/34/EC ('the Consolidated Admission and Reporting Directive'). This exemption has effect for 10 years from 1 January, 2005. Thus, only two debt issuer financial reports were received in the period.

⁴³ International Accounting Standard

⁴⁴ Accounting Standards Board



the ASB's⁴⁴ Statement entitled '*Half-yearly Financial Reports*', in the case of financial statements prepared under Irish GAAP). In particular, reviews of condensed financial statements include consideration of whether:

- the accounting policies and presentation applied to the half-yearly figures are consistent with those applied in the latest published annual financial statements⁴⁵;
- the recognition and measurement principles as laid down by relevant accounting standards have been complied with;
- the appropriate comparative information has been presented; and
- sufficient information and explanations have been included in explanatory notes to ensure users' proper understanding of material changes and developments in the period.

2.9.1.2 Interim Management Reports

- Whether Interim Management Reports include a fair review of:
 - u important events that have occurred during the first six months of the year;
 - u the impact of those events on the condensed financial statements;
 - u a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- u for issuers of shares, details of material related party transactions.

2.9.1.3 Responsibility Statements

Whether those persons signing Responsibility Statements have made statements to the effect that, to the best of their knowledge:

- the condensed financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the profit/loss and assets, liabilities, and financial position of the issuer and the undertakings included in the consolidation taken as a whole (or in accordance with Regulation 8(5)(d), that they have been prepared in accordance with the relevant accounting standard/statement); and
- the Interim Management Report includes a fair review of the information required to be included in Interim Management Reports (as outlined in section 2.9.1.2).

2.9.1.4 Review or audit of half-yearly reports

- Where a half-yearly financial report has been audited or reviewed in accordance with APB standards or guidance, whether the audit/review report has been reproduced in full; and
- Where a half-yearly financial report has not been audited or reviewed, whether the issuer

⁴⁵ As required by Rule 6.2 of the Financial Regulator's Interim Transparency Rules, subject to certain exceptions and IAS 34 or the ASB Statement as appropriate.

has made a statement to that effect in the half-yearly report, as required to do.

2.9.2. Annual Financial Reports - overview

The Regulations provide that Annual Financial Reports shall comprise:

- audited financial statements;
- a Management Report; and
- a Responsibility Statement.

2.9.2.1 Audited financial statements

- Where the issuer is required to prepare consolidated financial statements, whether the consolidated financial statements have been prepared in accordance with IFRS (and related interpretations) as adopted for use in the EU.
- Where the issuer is not required to prepare consolidated financial statements, whether the financial statements have been prepared in accordance with the national law of the Member State in which the issuer is incorporated;

2.9.2.2 Management Reports

Whether Management Reports include:

- a fair review of the development and performance of the business and position of the issuer and the undertakings included in the consolidation as a whole;

- a statement of the principal risks and uncertainties faced; and
- reference to⁴⁶:
 - u important events after the balance sheet date;
 - u likely future developments;
 - u research and development activity;
- certain information concerning acquisitions of own shares;
- u the existence of any branches; and
- u where an issuer uses financial instruments, information about financial risk management objectives and policies and issuers' exposure to certain risks.

2.9.2.3 Responsibility Statements

Whether those persons signing Responsibility Statements have made statements to the effect that, to the best of their knowledge:

- the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the profit/loss and assets, liabilities, and financial position of the issuer and the undertakings included in the consolidation taken as a whole; and
- the Management Report includes a fair review of the development and performance of the business and position of the issuer and the undertakings included in the consolidation as a whole, together with a statement of the principal risks and uncertainties faced.

⁴⁶ As required by the Financial Regulator's Interim Transparency Rules



2.10 Reviews of half-yearly financial reports – issues arising

Notwithstanding that a relatively small number of half-yearly financial reports had been received by the Authority by year end, the Authority's review activity during 2007 nevertheless gave rise to a number of issues.

Where such issues arose, they were addressed by way of correspondence with issuers' management and/or those charged with governance. Typically, initial correspondence sought clarifications and/or additional information as well as issuers' observations on certain of the Authority's initial observations. At year end, most of the issues arising were the subject of ongoing contacts between the Authority and the relevant issuers.

In general terms, issues arising fell into the broad categories of:

- I non-compliance / apparent non-compliance with the requirements of accounting standards, and specifically IAS 34 '*Interim Financial Reporting*' and the corresponding ASB Statement entitled '*Half-yearly Financial Reports*'; and
- II non-compliance / apparent non-compliance with obligations arising directly from the Regulations, for example, the requirements to prepare Responsibility Statements and to provide descriptions of the principal risks and uncertainties facing issuers for the remaining six months of the year.

The Authority seeks to conduct its reviews of periodic financial reports and associated enforcement activities in a manner that is balanced, proportionate and effective. That being the case, the Authority's approach to matters arising has regard to the nature and seriousness of the issues in question and, where practicable and otherwise considered appropriate, seeks to agree a course of action with the issuer which is appropriate to the circumstances.

2.11 Further information regarding issuers' obligations under the Directive and Regulations

Further information regarding issuers' obligations under the Transparency Directive and implementing Regulations can be obtained by referring to the Authority's Guide to the Financial Reporting Requirements of the Transparency Directive, further details of which are set out in Chapter 5 of this Report.

3. Consistent enforcement of IFRS across the European Union (EECS)

3.1 Background to the Authority's membership of the EECS

The background to the establishment of the CESR-sponsored EECS⁴⁷ was set out in detail in the Authority's first Annual Report⁴⁸. In summary, the EECS was established with a view of facilitating the co-ordination and consistency of financial reporting

⁴⁷ European Enforcement Co-ordination Sessions

⁴⁸ Chapter 2, section 4 refers.

enforcement practices across the EU. To that end, its membership includes both organisations that are securities regulators and, where Member States' financial reporting enforcement responsibilities do not reside with the national securities regulator (as is the case in Ireland⁴⁹), non-CESR members. It is in this context that the Authority is a member of the EECS. In the context of the foregoing, it is important to note that the EECS does not take enforcement decisions. Rather, while enforcement decisions are taken by Member States' national enforcement authorities, the EECS serves as a forum whereby EU financial reporting enforcement authorities discuss decisions taken by enforcement authorities, share perspectives, experiences and knowledge with each other.

3.2 EECS enforcement decisions database

With a view to fostering the consistent enforcement of IFRS across the EU, EECS members' enforcement decisions are recorded on a confidential database for members' future reference. While such decisions do not constitute precedent and are not, therefore, binding on other financial reporting enforcement authorities, the purpose of the database is to enable EU financial reporting enforcement authorities to consider decisions taken by their counterparts on

similar issues and to determine the extent to which regard might appropriately be had for same in their own decision making processes - while having regard to the fact that the circumstances surrounding individual issues are rarely the same.

3.3 Authority participation in the EECS

In addition to participating in consideration of issues brought to the EECS by other members, subsequent to the Regulations being commenced during 2007, the Authority also tabled issues relating to IAS 34 for EECS members' discussion and consideration.

In addition to its membership of the EECS plenary, the Authority's Head of Financial Reporting Supervision was also a member of the EECS' Agenda Group throughout the year. The Agenda Group is charged, *inter alia*, with:

- reviewing emerging cases and decisions tabled by members with a view to assessing those which should be afforded priority for consideration and discussion at plenary;
- reviewing enforcement decisions taken by EU/EEA accounting enforcers with a view to determining whether they meet the criteria for publication⁵⁰; and

⁴⁹ The Financial Regulator, which is a CESR member, is also a member of the EECS.

⁵⁰ The criteria for not publishing a decision include:

- where similar decisions have already been published by CESR and publication of a new decision would not add substantial value to the fostering of consistent application;
- the decision deals with a simple accounting issue that, even having been considered a material infringement, does not in itself have any accounting merit;
- a particular EU national enforcer, on a grounded and justified basis, believes that the decision should not be published; and
- there is no consensus at the EECS to support the submitted decision. If there are contradicting views on a decision, because of an ambiguity in a standard, the question will normally be conveyed to the International Financial Reporting Interpretations Committee (IFRIC) and this fact could be published as well. It is felt useful to publish decisions on issues that IFRIC has put on its agenda for consideration, in order to provide the market with relevant information on decisions taken in the period until IFRIC has issued an interpretation.



- assisting in the redrafting of these decisions for publication (decisions placed on the EECS database provide certain information of a confidential nature that would not be appropriate to make public - as to do so might render it possible to identify the issuer involved, hence the need for redrafting on occasion in advance of publication).

3.4 EECS activities

During the year, the EECS' principal activities included:

- considering issues potentially giving rise to enforcement in Member States and sharing perspectives thereon;
- discussing emerging issues of interest to financial reporting enforcers;
- discussing decisions taken by other enforcement authorities;
- maintaining and augmenting the confidential database of enforcement decisions; and
- publishing, for the benefit of issuers and other interested parties, summaries of enforcement decisions posted to the EECS database. During 2007, CESR published two such summaries, the first on 16 April⁵¹ and the second on 17 December⁵². These publications, for reasons of confidentiality, do not identify issuers or jurisdictions by name.

4. Co-operation with interested parties in developing accounting standards and practice notes

4.1 Authority observer status at the ASB

While the context for, and background to, the Authority's observer status at the ASB was set out in detail in the Authority's first Annual Report, one of the principal reasons for the Authority seeking observer status in the first instance was to enable it to discharge its statutory remit (as provided for by section 9(2) of the Act), to co-operate with interested parties in the development of accounting standards.

It is equally the Authority's view that observer status at ASB facilitates the identification at an early stage of issues that might be of particular interest or relevance in an Irish context. During the year, there were two major developments of interest at ASB from an Irish perspective, details of which are set out below.

4.2 ASB Statement entitled '*Half-Yearly Financial Reports*'

In July, 2007, the ASB issued a Statement entitled '*Half-Yearly Financial Reports*' ('the Statement'), which has been designed to provide guidance to those UK and Irish entities that are required - or voluntarily choose - to prepare half-yearly financial reports, other than those issuers that are required by law to prepare their half-yearly financial reports in accordance with IAS 34.

⁵¹ This publication can be accessed on the Authority's website at http://www.iaasa.eu/news/prev_news_2007.htm#id2364745

⁵² This publication can be accessed on the Authority's website at http://www.iaasa.eu/news/prev_news_2007.htm#id2416597

In the case of Irish issuers that are not required to apply IAS 34 in preparing their half-yearly financial reports, Regulation 8(5)(d) provides that the requirement for responsible persons to give an explicit statement to the effect that condensed financial statements give a true and fair view can be satisfied by giving a statement to the effect that the condensed information has been prepared in accordance with pronouncements on interim reporting issued by the ASB. In effect, therefore, this requires such issuers to apply the Statement when preparing their half-yearly financial reports.

In the context of the foregoing, the Statement arguably has greater significance in Ireland than in the UK due to the following considerations:

- I while many fund and debt issuers are listed on a regulated market in Ireland (i.e. on the ISE's main market), this is not necessarily the case to the same extent in the UK. Accordingly, the proportion of Irish entities that may be affected by the Statement is likely to be higher than is the case in the UK context; and
- II the Transparency Directive was implemented in Ireland through legislation whereas, in the UK, the Directive's requirements regarding half-yearly financial reporting were implemented *via* the UK Financial Services Authority's (FSA) Listing Rules. As a consequence, the Statement has differing legal status in the two jurisdictions, with reference to the Statement being enshrined in law in Ireland.

Given the fundamental importance of the Statement from an Irish perspective, Authority staff provided detailed input to the ASB's initial Exposure Draft of the Statement. This input included –

- provision of material for inclusion regarding the manner in which the Directive has been implemented in Irish law; and
- provision of detailed comments on the initially proposed requirements of the Exposure Draft *vis à vis* IAS 34 and other Transparency Directive requirements. The Authority's contribution in this regard sought to ensure that the requirements of the Statement, as finally issued, did not go beyond the requirements emanating from IAS 34 and the Directive, thereby ensuring that issuers using the Statement would not be subject to more onerous requirements than those applying to issuers using IFRS.

4.3 IFRS for Small & Medium Enterprises (SMEs) and the ASB's convergence strategy

The IASB⁵³ issued an Exposure Draft of a proposed IFRS for SMEs in February, 2007 and, in response, the ASB published a Consultation Paper on the IASB's Exposure Draft in April, 2007. Given the importance of this document from an Irish perspective, Authority staff provided comment and input to the ASB's drafting of the document. The decision by the ASB to publish a Consultation Paper was primarily in order to:

⁵³ International Accounting Standards Board



- help inform its (i.e. the ASB's) response to the IASB; and
- receive further feedback from constituents and other stakeholders as to how the IFRS for SMEs might fit into, or otherwise affect, the ASB's strategy for convergence of UK/Irish standards with IFRS.

In summary, the ASB's Consultation Paper:

- highlighted the principal differences between the ASB's existing Financial Reporting Standard for Smaller Entities ('FRSSE') and the proposed IFRS for SMEs;
- referred stakeholders to the principal differences between UK/Irish GAAP and the IFRS for SMEs;
- referred stakeholders to the principal differences between 'full' IFRS and the proposed IFRS for SMEs; and
- highlighted the potential impact of the IASB's Exposure Draft on the future of financial reporting requirements for UK and Irish companies and sought respondents' views, *inter alia*, as to whether the proposed IFRS for SMEs might be:
 - u a suitable replacement for the FRSSE; or
 - u more suitable for medium-sized and larger companies not currently impacted by the requirement to apply IFRS in full.

In an effort to elicit stakeholders' views to the maximum extent possible, the ASB held a number of public meetings on the subject during the year. One such meeting was held in Dublin (in conjunction with the CCAB-I⁵⁴) in June (under the title '*The Future of Financial Reporting*') and was addressed by speakers representing the IASB; the ASB; the Irish profession; the Revenue Commissioners and the Authority. In a straw poll conducted at that meeting, delegates' views were elicited as to whether the ASB should move towards one, two, or three tiers of financial reporting standards. Most present opted for a two-tiered approach, i.e. an approach whereby 'full' IFRS would apply to publicly accountable entities and IFRS for SMEs would apply to all other reporting entities.

Following its consultative process, at year end the ASB's tentative proposal was that a three-tier reporting structure should be adopted for UK and Irish entities, viz:

- full IFRS applying to entities deemed to have public accountability;
- IFRS for SMEs applying to all remaining entities, other than those classified as 'small'; and
- retaining the FRSSE for 'small' entities.

⁵⁴ Consultative Committee of Accountancy Bodies – Ireland

5. Financial reporting review remit as provided for by section 26 of the Companies (Auditing and Accounting Act), 2003

Section 9(2) of the Act provides that the Authority's functions include '*...to review under section 26 whether the accounts of companies and undertakings referred to in that section comply with the Companies Acts and to make applications to the High Court to ensure compliance*'. In addition, Statutory Instrument 116 of 2005 ('S.I. 116')⁵⁵ (which gave effect to EU Regulation (EC) No. 1606/2002 ('the IAS Regulation')⁵⁶ in domestic legislation) expanded the review remit to be given to the Authority under the Act by conferring an additional role regarding the IAS Regulation⁵⁷.

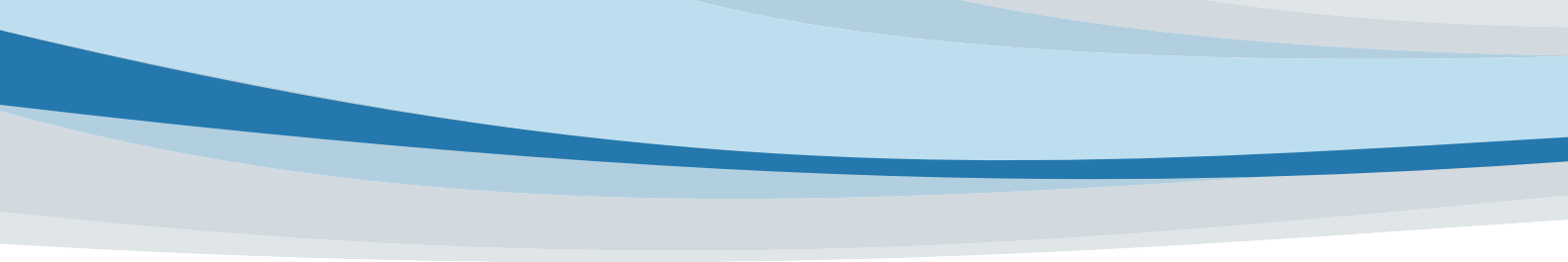
For the reasons explained in the Authority's first Annual Report (principally relating to issues with the associated statutory provisions relating to a levy and difficulties in identifying certain of the entities coming within scope of the section), Section 26 had not been commenced by 31 December, 2007. While section 26 remains uncommenced, the effects of its non-commencement have, in the Authority's view, been significantly mitigated by the Minister's decision to designate the Authority as a competent authority for the purposes of the Transparency Directive.

⁵⁵ International Financial Reporting Standards and Miscellaneous Amendments Regulations, 2005, the text of which can be accessed on the Authority's website at <http://www.iaasa.ie/legislation/index.htm>

⁵⁶ The text of the IAS Regulation can be accessed on the Authority's website at http://www.iaasa.ie/legislation/eu_ias_regulation_1606_2002.pdf

⁵⁷ Specifically, S.I. 116 amended sections 8, 9 and 26 of the Act.

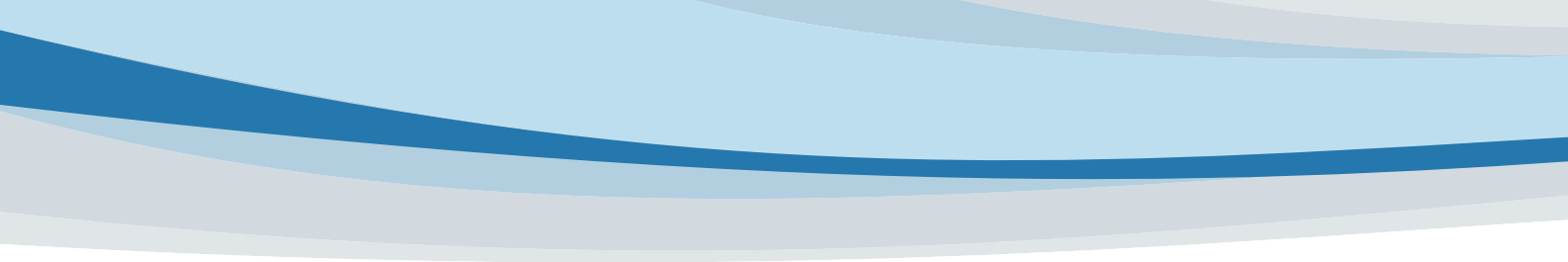






Chapter 5

Promotion of adherence to high professional standards in the auditing and accountancy profession and acting as a specialist source of advice to the Minister on auditing and accounting matters



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1. Promotion of adherence to high professional standards in the auditing and accountancy profession

1.1 Approach to promoting adherence to high standards in the profession

The promotion of adherence to high standards by the profession is a core element of the Authority's mission and is, therefore, embedded within, and permeates all aspects of, the Authority's activities. In summary, during the year the Authority's approach continued to be to promote adherence to high standards by the profession through two principal avenues, viz:

- by promoting adherence to high professional standards through interaction with the profession; and
- by promoting adherence to high professional standards through interaction with other stakeholder groups and the wider public.

1.2 Interaction with the profession

During the year the Authority sought to promote adherence to high professional standards through interaction with the profession, *inter alia*, through:

- I reviewing proposed amendments to the PABs' constitutions, bye-laws, regulations and other standards and, where considered necessary or otherwise appropriate, seeking/requiring amendments thereto;
- II tabling recommendations to the PABs where the

Authority's ongoing review activities identified scope for improvement in the manner in which members and member firms are being regulated and monitoring bodies' responses to such recommendations;

- III reviewing complaints received relating to members of the profession and the PABs and, where considered necessary, initiating statutory enquiries into such matters with a view to:
 - i determining whether breaches of approved procedures have occurred; and
 - ii whether parallel regulatory responses are necessary or otherwise appropriate; and
- IV providing members of the profession with an understanding of the Authority's role and functions through the delivery of information presentations and contributing articles to professional accounting publications (details of presentations delivered and articles written by Authority staff during the year are set out at Appendix 1 to this Report).

Further information regarding the Authority's activities in the context of I to III above is set out in Chapter 3 to this Report.

1.3 Interaction with other stakeholder groups and with the wider public

Other avenues through which the Authority sought to promote adherence to high professional standards (on the part of the profession and in a wider context) during the year included:



- I reviewing, on a sample basis, constituent entities' periodic financial reports as filed for Transparency Directive purposes and, where considered necessary or otherwise appropriate, seeking further information and clarification from issuers regarding, *inter alia*, apparent non-compliance with relevant aspects of accounting standards and legislative requirements;
- II providing guidance to issuers and their advisors regarding issuers' obligations under the Transparency Directive;
- III participation in the Company Law Review Group (CLRG) – in particular Authority staff have contributed to those aspects of the General Scheme of the Companies Consolidation and Reform Bill pertaining to financial statements, audit, oversight of the profession and liquidators' qualification requirements. The result of the CLRG's work in this regard included the publication, in March 2007, of the General Scheme for the proposed Companies Consolidation and Reform Bill⁵⁸;
- IV responding to queries received from members of the public, thereby providing enquirers with the information and wherewithal necessary to enable them to:
 - understand the Authority's and PABs' respective roles in the complaints/disciplinary processes;
 - understand issuers' periodic financial reporting obligations under the Transparency Directive; and
 - direct complaints to other authorities, where appropriate.
- V providing stakeholder groups and the wider public with an understanding of the Authority's role and functions through the delivery of information presentations (details of presentations delivered by Authority staff during the year are set out at Appendix 1 to this Report).

Further information regarding the Authority's activities in the context of I and IV above can be obtained in Chapters 4 and 3 of this Report respectively.

1.4 Guide to the financial reporting requirements of the EU Transparency Directive

In the context of the conferral of Transparency Directive-related statutory functions on the Authority during the year (details of which are set out in Chapter 4 of this Report), the Authority published a Guide to the financial reporting requirements of the Directive in September, 2007⁵⁹.

In view of the broad and diverse stakeholder constituency affected by the Directive, the Authority took the following steps to reach as large an audience as possible:

- publication of the Guide was advertised in the national press;

⁵⁸ Further information regarding the CLRG and its work can be obtained at www.clrg.org

⁵⁹ The Authority's Guide to the financial reporting requirements of the EU Transparency Directive can be obtained from the Authority upon request or downloaded from the Authority's website at www.iaasa.ie/publications/index.htm

- the Guide was made available on the Authority's website; and
- in addition to copies furnished in response to requests from the public, copies of the Guide were disseminated *inter alia*, to the following stakeholder groups:
 - u Equity issuers
 - u Investment fund sponsors (e.g. stockbrokers, accounting and law firms)
 - u Listing agents (typically law firms, stockbrokers and investment banks)
 - u Audit firms engaged in the audit of listed entities
 - u PABs
 - u Other domestic regulators to whom issuers' financial reporting is of interest/relevance
 - u Other Member States' financial reporting authorities
 - u Relevant Ministers and Departments of State
 - u European Commission's Internal Market Directorate

Publication of the Guide within a relatively short period following the coming into effect of the Regulations, together with its wide dissemination, ensured that, to the extent possible having regard to the information available at that time, all affected parties received a detailed and comprehensive guide to their financial reporting obligations and responsibilities under the Directive. To further assist affected parties, the Guide provides detail regarding the Authority's role under the Directive.

Overview of the Guide to the Financial Reporting Requirements of the Transparency Directive

In summary, the Guide provides interested parties with information and guidance regarding the following areas of relevance to the Directive's financial reporting requirements:

- an overview of the Directive and its place in the architecture of the EU Commission's FSAP;
- the means by which the Directive has been transposed into Irish law;
- the respective responsibilities of various statutory bodies under the transposing Statute and Regulations, i.e. the Authority, the Financial Regulator and the Office of the Director of Corporate Enforcement (ODCE);
- the scope of the Directive;
- the meaning of the term '*Regulated Market*';
- the factors determining whether Ireland is an issuer's home Member State for Directive purposes;
- the approximate number of issuers coming within the Authority's remit;



- issuers' periodic financial reporting requirements, viz:
 - u annual financial reports;
 - u half yearly financial reports;
 - u Interim Management Statements⁶⁰;
 - u required accounting standards;
 - u Responsibility Statements;
 - u Annual and Interim Management Reports;
 - u the meaning of the term '*True and Fair*' in the context of condensed financial statements;
- exemptions available from the Directive's financial reporting requirements;
- effective dates for commencement of issuers' financial reporting obligations under the Directive;
- context for the Authority's involvement in the administration of the Directive;
- the Authority's statutory functions of relevance to the Directive's provisions;
- the Authority's statutory powers of relevance to the Directive's provisions, including:
 - u the power to require the supply of documents, information and explanations;
 - u the power to issue notices and directions to issuers;
 - u the power to seek Court enforcement of directions;
 - u the power to publish Court Orders;
 - u the power to appoint Authorised Officers; and
 - u the Authority's power to request the appointment of an assessor in the context of the Central Bank and Financial Services Authority of Ireland's administrative sanctions procedures;
- administrative sanctions procedures;
- an overview of considerations affecting risk assessment and selection of issuers' periodic financial reports;
- details of other EU legislation of direct relevance; and
- relevant aspects of the Financial Regulator's Interim Transparency Rules.

⁶⁰ Interim Management Statements (which, in effect, are quarterly reports) do not come within the Authority's remit.

2. Acting as a specialist source of advice to the Minister on auditing and accounting matters

2.1. Protection of the term 'Accountant'

2.1.1 Context and background

As explained in some detail in the Authority's first Annual Report, prior to, and during, the passage of the Bill that preceded the Act through the Oireachtas⁶¹, a number of parties made representations to the effect that the term 'Accountant' should be afforded legal protection under the Companies Acts, thereby preventing the description from being used by persons not possessing specified accountancy qualifications/ experience. Given the potential complexities surrounding the issue, and the fact that any such protection would require the enactment of primary legislation, the view was taken at that time that the potential merits and demerits of such a proposal would require careful and detailed consideration before any determination could be arrived at. In that context, the then Minister gave an undertaking to the profession that he would refer the matter to the

Authority for consideration once established on a statutory basis. Further to that undertaking, the then Minister formally referred the matter to the Authority for examination during 2006 and, as reported in the Authority's first Annual Report, at the end of 2006, the Authority's consideration of the matter was at an advanced stage.

2.1.2 Matters taken into consideration by the Authority in formulating conclusions and recommendations

Further to the foregoing, in March, 2007 the Authority presented the Minister with a detailed set of recommendations based on its consideration of the issues, which in turn had been informed, *inter alia*, by an extensive public consultation exercise^{62 63}. The Minister was further advised that the principal considerations underpinning the Authority's conclusions and recommendations had included:

- the fact that members of the PABs are subject to a range of significant regulatory and monitoring measures, including, for example:
 - u the requirement to successfully complete professional examinations and obtain

⁶¹ Parliament

⁶² The Authority's initial consultation exercise elicited 22 responses. A supplementary consultation exercise, which sought views on the respective merits and demerits of contributors' various proposals, elicited a further nine responses.

⁶³ In addition to considering the views elicited by an extensive consultation exercise, the Authority also had regard, *inter alia*, to the provisions of the Health & Social Care Professionals Act, 2005, which:

- effects reservation of title in respect of certain health and allied professionals; and
- sets out the criteria by which to determine whether it is appropriate or in the public interest for the Minister for Health & Children to designate certain professions under that Act, which include, *inter alia*:
 - the extent to which the profession has a defined scope of practice and applies a distinct body of knowledge;
 - the extent to which the profession has established itself, including whether there is at least one professional body representing a significant proportion of the profession's practitioners;
 - the existence of defined routes of entry into the profession and of independently assessed entry qualifications;
 - the profession's commitment to continuing professional development; and
 - the degree of risk to, *inter alia*, the welfare of the public from incompetent, unethical or impaired practice of the profession.



- minimum experience requirements prior to being admitted to membership;
 - u the requirement to obtain minimum post membership experience (and in some cases, successfully complete a further examination) prior to being authorised to offer services to the public;
 - u the requirement for members engaging in public practice to have in place minimum levels of professional indemnity insurance and practice continuity arrangements;
 - u the requirement that all members adhere to the PABs' respective codes of conduct and standards, including those relating to professional ethics (which require to be approved by the Authority, as do amendments thereto);
 - u the requirement for members to continually keep their competencies up to date by undergoing Continuous Professional Development (CPD) on an annual basis; and
 - u being subject to the PABs' complaints, investigations and disciplinary processes and, by virtue of membership, affording aggrieved parties the right to seek recourse to these processes and procedures;
- the fact that, in the Authority's assessment, members of the public, quite reasonably assume that any person describing themselves as an 'accountant':
 - u has completed the requisite examinations;
 - u has satisfied the necessary experience requirements; and
 - u is subject to the foregoing regulatory and monitoring measures;
- the fact that persons currently holding themselves out as accountants, but who are not members of the PABs (or certain other professional bodies), are not subject to the aforementioned requirements;
- the fact that, by virtue of not being members of the PABs, such persons are not subject to oversight by the Authority, a situation that might be expected, quite reasonably in the Authority's assessment, to be difficult for members of the public to understand in circumstances where the legislature has established a statutory body to supervise the accountancy profession;
- while acknowledging that members of the public are perfectly entitled, should they so choose, to engage the services of unqualified persons, the current entitlement of such persons to hold themselves out as 'accountants' gives rise, in the Authority's assessment, to consequential risks that members of the public may inadvertently engage such persons on the understanding that they have in fact satisfied the foregoing criteria and are subject to the aforementioned requirements, thereby unknowingly exposing themselves to:
 - u the risk of financial or other loss occasioned by acting on advice received from an unqualified person; and
 - u a lesser degree of recourse in the context of

making a complaint than would have been available had the person engaged been a member of a PAB;

- the Authority's view that the existence of such risks runs counter to, and militates against, the public policy principles underpinning the enactment of the Act and the Authority's core object of enhancing public confidence in the accountancy profession and its outputs;
- the fact that the Authority has received a number of complaints from members of the public regarding persons who, while complainants believed them to be members of a PAB, have transpired not to be such, thereby resulting in the Authority having no jurisdiction over such persons. In the Authority's view, having to advise members of the public of this fact serves to diminish public confidence in the oversight system; and
- the fact that, by virtue of not being subject to any form of regulation (and the associated costs), unqualified persons can operate at a cost advantage to those who are subject to regulation and oversight, a concept which could reasonably be considered to be counter-intuitive.

The Minister was further advised that, in arriving at its conclusions and recommendations, the Authority also had regard to a further suite of considerations, as set out below and to the merits and demerits of each possible course of action arising therefrom:

- whether a restriction on the use of the term 'accountant' should be accompanied by a

restriction on the provision of accountancy services (i.e. whereby only persons entitled to use the description of 'accountant' should be permitted to provide accountancy services);

- whether a restriction on the use of the term 'accountant' should apply only to persons offering services to the public or whether such a restriction should apply to all accountants;
- the range of persons that would, or could, qualify to use the term 'accountant';
- the potential adverse consequences for other parties - e.g. legal cost accountants and turf accountants - that could conceivably arise as a consequence of the introduction of a statutory restriction;
- restriction of the use of associated terms in the context of firms' names and descriptions;
- the position regarding the eligibility of certain persons qualified to act as auditors under the Companies Acts to use the term;
- the issue of arrangements for regulating persons entitled to use the term who are not members of the PABs;
- the issue of transitional provisions;
- status of breaches and sanctions; and
- drafting considerations.

2.1.3 Recommendations

Having regard to the foregoing considerations, the Authority tabled the following detailed set of recommendations to the Minister in March, 2007.



Authority's recommendations to the Minister

Restriction of the use of the term 'accountant'

Based on the foregoing rationale, the Authority recommends that a legal restriction on the use of the term 'accountant' is merited in the interest of members of the public and, on that basis, should be introduced.

Provision of services

The Authority does not, however, consider that a convincing argument has been put forward as to why an accompanying statutory restriction should be placed on the provision of accountancy services, particularly having regard to competition considerations. Accordingly, the Authority considers that the introduction of a statutory restriction on the use of the term 'accountant' should not be accompanied by a restriction on the provision of accountancy services. Accordingly, the Authority is of the view that persons other than persons entitled to use the description should continue to be entitled to provide accountancy services, provided that they do not hold themselves out as being 'accountants' to members of the public.

Scope of restriction

As has been acknowledged by a number of the contributors who advocated legal restriction of use of the term, it is, in the Authority's assessment, questionable at best as to whether a legal restriction could be enforced in the context of employees. Moreover, employers are well placed to satisfy themselves in advance as to whether a prospective employee actually possesses an accountancy qualification. It is the Authority's recommendation, therefore, that a restriction on the use of the term apply only to accountants offering services to the public.

Persons eligible to use the term

At one end of the spectrum, it has been suggested that only those persons who are members of the nine PABs should be entitled to use the term. Others have advocated wider eligibility criteria, for example:

- extending the entitlement to use the term to all members of IFAC⁶⁴ bodies; or
- providing for arrangements whereby:
 - u the Authority/Minister would be empowered to make Regulations for the purpose of prescribing further bodies (i.e. over and above the PABs) whose members would, following prescription, also be entitled to use the description; and
 - u other persons so wishing could make application to the Authority/Minister for the right to use the description, with the Authority/Minister making such determinations by reference to set criteria.

⁶⁴ International Federation of Accountants

There is a broad acknowledgement that it would be inequitable (as well as possibly being contrary to competition law) to confine any statutory entitlement to use the description ‘*accountant*’ solely to members of the nine PABs. That being the case, it seems to the Authority that, in addition to members of the PABs having an entitlement to use the description by virtue of those memberships, it is appropriate that some further provision be made in any enacting legislation whereby there would be scope for other persons, viz:

- members of other professional bodies; and/or
- individuals possessing certain other qualifications and/or experience,

to have an entitlement to seek the right to use the term also. In any event, it would appear that in order to ensure Ireland’s compliance with EU Directives on mutual recognition of qualifications etc., such arrangements would be necessary.

In the event that the Minister were to accept the Authority’s conclusions and recommendations in this regard, it was further the Authority’s view that it would be necessary to determine whether the Authority, the Minister or some other entity would be responsible for:

- making determinations as to other persons’ entitlement to use the description; and
- against what criteria such determinations would be made.

This is clearly a more complex matter and will only become an issue if the Minister elects to accept this recommendation. In that context, the Authority did not develop this issue further but rather considered that the input of the drafters of legislation would be more appropriate at the appropriate juncture.

Potential adverse consequences for other parties

Having considered the matter in the context of the legitimate interests of potentially affected parties such as legal cost accountants and turf accountants, the Authority is satisfied that:

- these terms are understood by the public;
- there should be no adverse consequences for such persons arising from any legislation given that any potential adverse consequences can quite easily be avoided in drafting.



Restriction of the use of associated terms in the context of firms' names and descriptions

Having considered proposals tabled by the CCAB-I, the Authority is of the view that the introduction of a restriction on the use of the term '*accountant*' should be accompanied by a further provision to the effect that only firms controlled by persons entitled to describe themselves as '*accountants*' should be entitled to describe themselves as firms of '*accountants*'.

Eligibility of other persons qualified to act as auditors under the Companies Acts to use the term

Certain categories of persons, other than qualified and authorised members of the six RABs, may conduct statutory audits under the Companies Acts. The question arises, therefore, as to whether such persons should be entitled to describe themselves as accountants under any proposed legislation notwithstanding that all may not be members of a RAB.

Under section 187 of the Companies Act, 1990, the following persons, in addition to members of the RABs duly authorised by those bodies, are qualified to act as auditors under the Companies Acts:

- persons:
 - u holding accountancy qualifications that are, in the opinion of the Authority, of a standard which is not less than is required for membership of a RAB and which would entitle them to be granted a practising certificate by that body if they were a member of it; and
 - u that are, for the time being, authorised by the Authority (currently none);
- individually authorised auditors, i.e. authorised by way of Ministerial approval in 1983 (of whom there were approximately 28 in practice at the time of the Authority's tabling of its recommendations to the Minister);
- persons holding:
 - u qualifications entitling them to audit under the law of a country outside the State; or
 - u specified accountancy qualifications recognised under the law of another country outside the State,

who have been declared by the Authority as being eligible to act as auditors under the Companies Acts (of which there are currently none).

The Authority's view is that, in the interests of fairness and equity, all such persons entitled to perform statutory audits should be entitled to the use the description under any proposed legislation. As above, the Authority believes that any drafting will also have to have regard to EU Directives on mutual recognition of qualifications, and compliance therewith, in any event.

Arrangements for regulating persons entitled to use the term who are not members of the PABs

As indicated above, it is the Authority's view that members of the public reasonably assume that any person describing themselves as an '*accountant*':

- has completed the requisite examinations;
- has satisfied the necessary experience requirements both pre and post admittance to membership; and
- is subject to a similar/equivalent level of regulation and oversight.

The question, therefore, arises as to whether persons who are not members of the PABs but who might, under a new statutory regime, be entitled to use the description '*accountant*' should be subject to a similar level of regulation and oversight as applies to members of those bodies. Having regard to the arguments put forward by contributors and to the Authority's core role in seeking to enhance public confidence in the profession and its outputs, it is the Authority's considered view that any such persons should, in the interests of fairness and equity, be subject to similar levels of regulation and oversight as apply to members of the PABs. Such persons might be expected to fall into two broad categories, *viz*:

- members of established professional bodies whose standards etc. could, following assessment, be considered equivalent to those of the PABs (e.g. members of established EU and international accountancy bodies); and
- persons possessing other qualifications deemed (by the Authority or some other competent entity) to be equivalent to those awarded by the PABs.

The Authority would not favour having to engage in direct regulation of such persons (given the time consuming, labour intensive and costly nature of such activity). Accordingly, it is the Authority's view that the principal options whereby such persons could be regulated might include:

- I relying on the relevant EU or international accountancy body's regulation of affected persons' activities (where considered to be appropriate and sufficient by reference to set criteria to be determined); or
- II requiring such persons to submit themselves to regulation by one of the PABs.

While the level of regulation exercised by an EU or international body under (i) above might be generally acceptable, such a body, by virtue of not being a PAB, would not, however, come within the Authority's supervisory remit. By contrast, an arrangement under (ii) above would result in any such persons being subject to oversight by the Authority as well as to the relevant PAB's regulatory regime.



Option (ii) would, therefore, be the preferable option from the Authority's perspective, subject to the necessary safeguards being in place to ensure that the PABs could not unreasonably or unfairly refuse to regulate a person that had been determined by the competent authority as being entitled to use the description. The Authority further considers that such an arrangement might offer the following advantages:

- under such arrangements, the Authority would not have to directly regulate any such persons, but rather would supervise the manner in which they would be regulated (similar to the manner in which the Authority currently exercises oversight over the members of the PABs);
- the persons concerned would, by paying the requisite fee to the relevant PAB, be required to meet the costs of their regulation;
- such an approach would mirror the approach taken by section 35(c) of the Act (not commenced at this time) whereby individually authorised auditors must submit themselves to regulation by the PABs within 3 years of the commencement of the subsection or, failing to do so, their authorisations will be rendered void.

Transitional provisions

The question was posed in the Authority's original Consultation Paper as to whether contributors felt that, in the event of legislation being introduced, transitional arrangements should be provided for. While a small number of respondents favoured the provision of no transitional provisions, most favoured some form of transitional arrangements (albeit quite short) whereby persons who would not be entitled to use the term post enactment would be given a specified period in which to, for example, continue to use the term (i.e. under '*grandfathering*' arrangements).

Clearly, by restricting use of the description '*accountant*' only (as opposed to restricting the right to provide accountancy services) the impact on affected persons is considerably less, by virtue of the fact that they could, post enactment, continue to provide accountancy services.

Other suggestions made included requiring affected persons to pass a State set examination (i.e. by the Authority) in order to be permitted to continue to use the description. The Authority would not, however, favour such a regime as the resource implications of such a regime would be considerable.

Having regard to contributors' views, the Authority considers that it would be appropriate for any enacting legislation to provide for reasonable transitional provisions.

Status of breaches and sanctions

In light of the Authority's recommendation that use of the term '*accountant*' should be restricted, the question arises as to whether, post enactment of any legislation, use of the description by persons not entitled to so do should constitute a criminal or civil breach (or both) of the Companies Acts (most contributors favoured such breaches having criminal as well as civil breach status).

The Authority considered the issue and concluded that the CLRG rather than it, is best placed to form a view on this issue, particularly in light of the fact that the CLRG has recently completed a detailed review of the Companies Acts' offence provisions in the context of the forthcoming Companies Consolidation and Reform Bill.

Drafting

Having considered the matter the Authority concluded that it is not best placed to draft detailed legislative proposals but, rather, should the Minister decide to accept these recommendations, the detailed drafting should be undertaken by the Minister's officials, the CLRG and/or the Parliamentary Draftsman, as deemed appropriate.

2.1.4 Subsequent events

Having considered the Authority's conclusions and recommendations, the Minister took the decision to refer same to the CLRG for further consideration. In its capacity as a member of the CLRG, the Authority continued during the course of the year to advocate the enactment of legislation to give effect to its recommendations (see section 2.2 below for further detail of the Authority's involvement with the CLRG during the year).

2.2 Company Law Review Group

The CLRG is a statutory body established by the Company Law Enforcement Act, 2001 (CLEA) for

the purpose of advising the Minister on company law related matters⁶⁵. The Authority is a body entitled to nominate a member to the CLRG and, through its nominee's membership⁶⁶, the Authority contributed to the CLRG's ongoing provision of advice to the Minister during the year. In addition to its input to those aspects of the CLRG's work on the General Scheme of the Companies Consolidation and Reform Bill, the Authority's nominee was a member of the CLRG Sub-committee charged with examining the following specific issues:

- the possible extension of the audit exemption regime to cover:

⁶⁵ Further information on the CLRG can be obtained at <http://www.clrg.org>

⁶⁶ The Authority has nominated its Chief Executive as a member of the CLRG



- u small groups of companies which, in aggregate, meet the extant exemption criteria (the current exemption arrangements are not available to companies that are members of groups or, by extension, to groups of companies); and
 - u dormant companies, regardless of the size of the group to which they belong;
- the possibility of limiting auditors' liability;
- the requirement, pursuant to Section 205B of the Companies Act, 1990, for plcs to establish an Audit Committee and whether this requirement should be removed or altered to operate on a comply or explain basis having regard to the provisions of the EU Statutory Audit Directive;
- proposals from the ODCE for the introduction of a statutory power whereby the ODCE would be empowered to require evidence of companies' entitlement to avail of audit exemption;
- statutory protection of the term 'Accountant'; and
- review of the extant thresholds for defining 'Small' and 'Medium' size companies.

At year end, the Committee's work was ongoing with a view to reporting its conclusion and recommendations to the CLRG Plenary in the context of the CLRG's 2007 Annual Report⁶⁷.

Members of the Authority's staff were also members of the CLRG Working Group (Transparency Directive), which also included representatives from the Irish Bankers' Federation, the Financial Regulator, CCAB-I, the Department of Enterprise, Trade & Employment and the funds industry. The Group was tasked with making recommendations regarding the transposition of the Transparency Directive into Irish law. As explained below, the Directive was subsequently transposed into Irish law and became effective from 13 June, 2007.

2.3 Regulations giving effect to the transposition into national law of the EU Transparency Directive

As detailed in Chapter 4 of this Report, the EU Transparency Directive was substantially given effect to in Irish law through the enactment of the Transparency (Directive 2004/109/EC) Regulations, 2007⁶⁸, which came into force on 13 June, 2007.

In view of the Minister's decision some months prior to designate the Authority as a competent authority for the purposes of Article 24(4)(h) of the Directive, the Authority worked closely with interested parties (including the Financial Regulator and the Irish Stock Exchange) in reviewing the draft Regulations and provided comment and advice to the Department of Enterprise, Trade & Employment on the evolution of the Regulations during the period leading up to the commencement of the Regulations by the Minister.

⁶⁷ The CLRG's 2007 Annual Report can be accessed at www.clrg.org

⁶⁸ The Regulations can be accessed on the Authority's website at www.iaasa.ie/legislation/index.htm

2.4 EU Statutory Audit Directive

Member States are required to transpose the EU Statutory Audit Directive into domestic law by 29 June, 2008. In that context, and given that it is expected that the Authority will have a major role to play in the post-transposition landscape (i.e. by virtue of being designated as the public oversight authority for EU Statutory Audit Directive purposes), the Authority worked closely with the Department of Enterprise, Trade & Employment - the Department responsible for ensuring the EU Statutory Audit Directive's transposition - during the year. As a member of the EGAOB and a number of its Sub-Groups, the Authority was particularly well placed to provide advice to the Department, which is a member of the AuRC⁶⁹, on a range of key issues that will require policy decisions and determinations to be made by the Minister and his Department in giving effect to the EU Statutory Audit Directive in domestic law. Such issues include, *inter alia*:

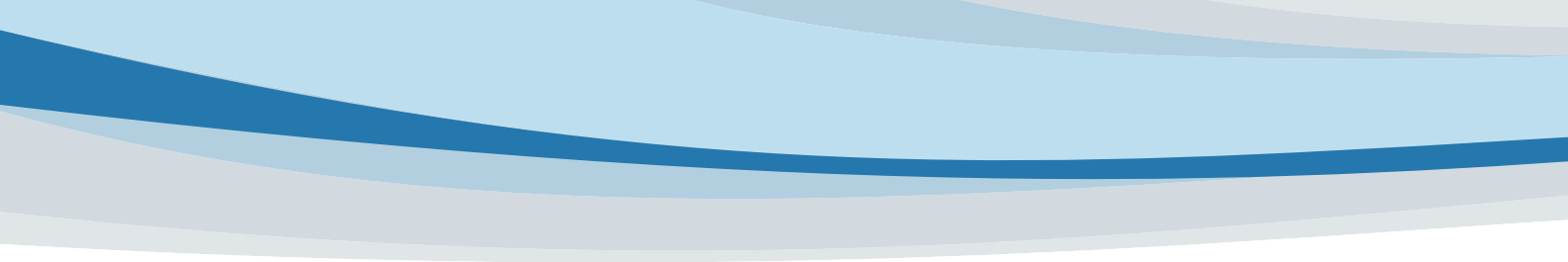
- the designation of competent authorities for EU Statutory Audit Directive purposes;
- approach towards reflecting the EU Statutory Audit Directive's requirements *vis à vis* auditors' independence and ethical requirements in domestic law;
- future quality assurance arrangements *vis à vis* auditors of listed entities;

- registration and regulation of third country auditors and audit firms; and
- co-operation arrangements between Member States' competent authorities and between Member States' and third countries' competent authorities;

Towards the end of the year, these arrangements were placed on a more formal footing, with the Department establishing a Working Group, comprising of representatives of the Authority and the profession, to assist and provide advice on the transposition process. At year end, the Authority was continuing to work closely with the Department and other interested parties in progressing the transposition process.

⁶⁹ Audit Regulatory Committee, a Commitology Committee of the EU Commission







Chapter 6

Ensuring the Authority's adherence
to its legal and governance obligations
as a body established under
statute and providing a high quality
service to internal and external stakeholders



Chapter 6

Ensuring the Authority's adherence to its legal and governance obligations as a body established under statute and providing a high quality service to internal and external stakeholders

1. Authority's adherence to its legal and governance obligations as a body established under statute

1.1 Introduction

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

1.2 Adherence to legal obligations

1.2.1 Legal requirements under the Companies Acts

As a company limited by guarantee, the Authority and its directors have a range of legal obligations and responsibilities under the Companies Acts⁷⁰. During the year, in compliance with the Authority's obligations as a company, the directors:

- held the Authority's first Annual General Meeting (on 19 June, 2007); and
- filed the company's first Annual Return with the Registrar of Companies (on 4 July, 2007).

As detailed further in the Report of the Directors⁷¹, the Authority 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 the Authority's statutory registers and ensuring that all filings are made to the Registrar of Companies within prescribed timeframes.

1.2.2 Principal legal requirements under other legislation

The Authority 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 the Authority to furnish valid Tax Clearance Certificates in advance;
- the Ethics in Public Office Acts;
- European Communities (Late Payments in Commercial Transactions) Regulations, 2002; and
- data protection legislation.

Certain other requirements typically applicable to statutory bodies such as, for example, the Freedom of Information Acts and the Official Languages Act do not currently apply to the Authority by virtue of it not having been designated for such purposes at this time.

⁷⁰ Those of the directors' responsibilities relating to the maintenance of proper books of account, preparation of financial statements and related obligations are dealt with in the Report of the Directors and the Statement of Directors' Responsibilities respectively (see the section of this Report entitled Financial and related statements).

⁷¹ See section of this report entitled Financial and related statements.



1.3 Adherence to governance obligations

As a body established under statute, the Authority is subject to the Department of Finance's Code of Practice for the Governance of State Bodies ('the Code'). The Authority has, *inter alia*, taken the following steps to ensure its ongoing compliance with the Code:

- adopted a Schedule of Matters Reserved to the Board;
- documented the Chief Executive's and Chairperson's respective roles;
- adopted formal and documented delegations of authority to Board Committees and to the Chief Executive;
- put in place measures whereby directors have access to the advice and services of the Secretary;
- implemented measures whereby directors have access to independent legal advice where considered necessary;
- put in place mechanisms by which the Board is regularly apprised of significant matters pertaining to the Authority'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 an orientation briefing

upon appointment to the Board;

- adopted Codes of Conduct for both directors and employees⁷²;
- appointed an Audit Committee comprising of non-executive directors, appointed an external provider of internal audit services and developed and approved Charters for both the Audit Committee and internal auditors which reflect both best practice and the Code's requirements;
- appointed a Remuneration Committee comprising of non-executive directors for the purposes of assessing the performance of the Chief Executive, making recommendations to the Board regarding the Chief Executive's and directors' remuneration and ensuring the Authority's compliance with the Code's provisions regarding the Chief Executive's and directors' remuneration;
- developed risk management policies and procedures designed to identify and quantify key business risks and to assist the Authority in the management of those risks; and
- put in place a system of documented internal financial control and related procedures, which, *inter alia*, addresses the Authority's obligations under public sector procurement requirements.

As outlined in the Authority's first Annual Report, having performed a detailed review of the Code's requirements, the Board concluded that, having

⁷² The Authority's Codes of Business Conduct can be accessed on the Authority's website at http://www.iaasa.ie/about/business_codes.htm

regard to the nature and scale of its activities, the Code's requirement⁷³ that five year rolling business and financial plans be prepared (to encompass, *inter alia*, planned investment and dividend policy) is not relevant or appropriate to its circumstances in that it is clearly aimed at commercial State Bodies. That being the case, and given the Authority's requirement under the Act in any event to prepare ongoing three year Work Programmes, the Board sought a waiver from the aforementioned requirement of the Code from the Minister. Having considered the Board's request, and having consulted with the Minister for Finance, the Minister granted such a waiver by letter dated 28 June, 2006.

2. Provision of high quality services to internal and external stakeholders

2.1 Customer Charter

During the year, the Authority published a Customer Charter. The Charter⁷⁴ provides information on:

- the standards of service that stakeholders can expect from the Authority (relating to, *inter alia*, timely responses, courtesy and respect) and to which the Authority is committed;
- how to make a complaint regarding the level of service received from the Authority;
- the applicability of the Charter to internal customers; and

- what the Authority expects in return from its stakeholders, for example, to be treated with courtesy and respect.

2.2 Website and regular updates to website registrants

The Authority maintains a website, www.iaasa.ie, on which members of the public can access:

- details of the Authority's statutory remit, including the Authority's principal statutory functions and powers;
- all primary and secondary legislation relating to the Authority, including relevant EU Directives, Regulations and Recommendations (as well as all of the Companies Acts);
- all of the Authority's publications, including reports, consultations and presentations made by Authority representatives;
- a Frequently Asked Questions section, which includes, *inter alia*, details of how to lodge a complaint with the Authority (for example, relating to a PAB or to an issuer's periodic financial reporting);
- directors' and employees' Codes of Conduct;
- links to other sites of relevance to the Authority's remit or otherwise likely to be of interest to website users, including links to the websites of:
 - u the PABs;
 - u other member bodies of the Authority;

⁷³ Section 11 of the Code refers.

⁷⁴ A copy of the Authority's Customer Charter can be accessed at http://www.iaasa.ie/about/Customer_Charter.pdf



- u other EU audit oversight bodies;
 - u other EU financial reporting enforcement bodies;
 - u auditing, ethical and accounting standard setters, both UK/Irish and international;
 - u EU and international representative bodies for the accountancy profession; and
 - u links to other relevant bodies/agencies etc; and
- company particulars, as required by S.I. No. 49 of 2007 (European Communities (Companies) (Amendment) Regulations, 2007).

In addition to the foregoing, the Authority's website also provides regular news updates to users. This latter feature is accompanied by a service whereby website users can register for email updates, which are issued to accompany the uploading of any news items to the website. The Authority's website also includes a secure Members' Area through which Board members can access current and past Board papers and related material in a convenient manner.

2.3 Services provided - complaints and enquiries

As detailed above, members of the public may lodge complaints with the Authority regarding the PABs or issuers' periodic financial reporting. The Authority deals with all complaints received on a confidential basis and seeks to address complaints as quickly as possible. Further details regarding how to make a complaint can be accessed on the Authority's website or, alternatively, directly from the Authority.

Complainants are advised, however, that, due to the Authority's statutory confidentiality obligations, it is generally not possible for complainants to be kept apprised of the progress of a complaint.

In addition to accepting complaints, the Authority is happy to receive queries from members of the public and, to the extent practicable, endeavours to assist enquirers to the fullest extent possible. Details of complaints and queries received by the Authority during the year, together with details of the manner in which same were dealt with, are set out in Chapter 3 of this Report.

2.4 Consultation & feedback

In the case of major policy decisions or where the Authority is otherwise seeking interested parties' views, the Authority generally communicates with the public by means of Consultation Papers. In addition to being placed on the Authority's website, the publication of Consultation Papers is generally advertised in the national press with a view to gaining maximum stakeholder interest and participation. As detailed in Chapter 3 of this Report, during the year the Authority published a Consultation Paper on its draft Section 23 Regulations. Following the consultation process, the Authority also published a Feedback Paper⁷⁵ which provided details of respondents' views on certain key issues, together with details of whether the Authority had accepted the proposed amendments and, where this was not the case, the Authority's reasons for not so doing.

⁷⁵ The Feedback Paper is available at http://www.iaasa.eu/legislation/S23_Feedback.pdf

2.5 Prescribed Accountancy Bodies' Contact Group

In addition to engaging with the PABs bilaterally on a regular and ongoing basis, the Authority has also established a standing Contact Group, which provides a forum for the Authority and the nine PABs to meet during the year to discuss matters of interest to all concerned and to share perspectives on topical issues. The Authority hosted one such meeting during the year (held in October), at which representatives of eight of the nine bodies attended. The meeting agenda included matters such as:

- briefing on the Authority's role under the Transparency Directive;
- briefing on EECS activities;
- PABs' view on the IASB's proposed IFRS for Small and Medium Enterprises ('SME's);
- briefing on the Authority's policy regarding the holding of PABs' Disciplinary Committee hearings in public;
- PABs' annual returns (see Chapters 3 and 7 of this Report);
- parties' view on the procedure for providing guidance to Irish auditors (i.e. Irish specific practice notes);
- briefing on EGAOB and IFIAR activities (see Chapter 3 of this Report);
- briefing on the matter of protection of the term 'Accountant' (see Chapter 5 of this Report); and

- current arrangements for apportioning the profession's financial contribution to the Authority's programme of expenditure.

2.6 Provision of responses to Parliamentary Questions

The parliamentary procedure of tabling Parliamentary Questions (PQs) is one whereby Deputies⁷⁶ have an opportunity to table questions to Ministers on matters of relevance to Ministers' portfolios. Parliamentary Questions can be tabled for written or oral response by Ministers.

While the responsibility for answering Parliamentary Questions resides with the relevant Minister's Department, frequently Deputies' questions are constructed in a manner such that the required responses relate not only to the Minister's Department but also to Offices and/or Agencies coming within that Department's aegis. In that context, the Authority is regularly requested by the Department of Enterprise, Trade & Employment to provide material for inclusion in responses to be provided by the Minister.

During the year the Authority received 36 requests for PQ response material from the Department of Enterprise, Trade & Employment. Table 15 provides an analysis of those questions by subject matter.

⁷⁶ Members of Dáil Éireann, which is the lower House of the Irish Parliament.



Table 15

Analysis of subject matter of Parliamentary Questions referred to the Authority - 2007

Staff levels & analysis	Questions under this heading included requests for information on topics such as staff numbers, the effect of decentralisation and the impact of the Government staff reduction programme.
Not applicable to the Authority	These questions generally relate to matters directly within the Minister's remit/influence and are not, therefore, questions that the Authority was in a position to answer.
Administrative/consultancy costs	Questions under this heading included requests for information relating to overall budget levels and details of expenditure under consultancy, advertising etc.

Carbon footprint	These questions sought information regarding the Authority's actions on carbon footprint reduction and similar topics.
Industrial disputes	Each question tabled sought information regarding the number of days lost by the Authority due to industrial action (nil).
Official Languages	These questions sought information regarding the Authority's output under the Official Languages Act (an Act to which the Authority is not currently subject).
Appointments to State Boards	Questions in this category related to issues surrounding Ministerial appointments to State Boards.
Opening hours	This question sought information regarding the Authority's hours of business.

2.7 Staff training and development

The nature of the Authority's remit is such that its success is in large measure dependent on a highly skilled and motivated team of staff that are supported in maintaining their professional competencies up to date against the backdrop of a fast changing and highly technically demanding environment. In that context the Authority actively encourages and supports ongoing staff training and development.

During the year the Authority supported staff in:

- undertaking ongoing accounting and legal CPD;
- the attainment of further formal educational qualifications of relevance to the Authority's remit (i.e. in the area of IFRS); and
- undergoing training in other areas of relevance to the administration and management of the Authority, including in the areas of:
 - u health & safety law;
 - u procurement law;
 - u first aid; and
 - u employers' duties and obligations.

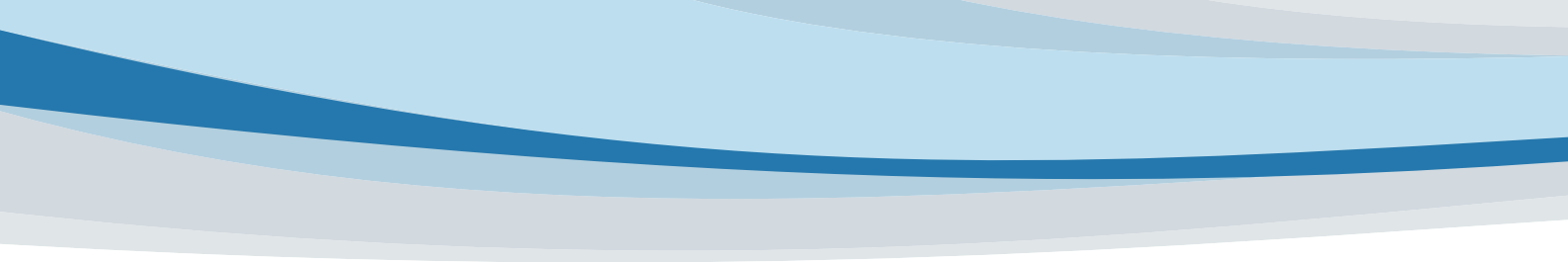






Chapter 7

Profile of the
Prescribed Accountancy Bodies



Chapter 7

Profile of the Prescribed Accountancy Bodies

1. Introduction

The purpose of this Chapter is to provide the public with an insight into:

- the scale and composition of the Authority's supervisory remit *vis à vis* the PABs;
- the scale of the prescribed bodies, both individually and collectively; and
- the nature and scale of the prescribed bodies' regulatory and monitoring activities.

To achieve this aim, this Chapter provides a statistical profile of the nine PABs coming within the Authority's supervisory remit in relation to their:

- membership;
- investigation and disciplinary procedures;
- student population;
- members with practising authorisation;
- members with registration as auditors; and
- related quality assurance activities.

The information given herein relates to the year ended 31 December, 2007.

2. Provision of information by the Prescribed Accountancy Bodies

The Authority has relied on the PABs for the provision of this information, which was submitted as part of the completion of each PAB's annual return to the

Authority in respect of the year ended 31 December, 2007. In the context of the foregoing, the Authority wishes to acknowledge the efforts made by the PABs in compiling their annual return and their co-operation in responding to queries raised and clarifications requested by the Authority.

As described in Chapter 3 of this Report, the annual return process has a dual objective:

- firstly, to provide the Authority with the information necessary to:
 - u facilitate the monitoring of the bodies' ongoing regulatory and monitoring activities; and
 - u plan future reviews of those bodies by, for example, identifying key areas, issues or trends deserving of particular attention or resource allocation; and
- secondly, to provide relevant information to the Authority for publication purposes.

Given the dual purpose of the data sought, certain of same is of a confidential nature and, accordingly, while used for supervisory purposes, is not reproduced in this Report.

3. Considerations regarding the comparability of data presented

In reading and analysing the data presented in this Chapter, it is important to note the inherent limitations of the data provided. Differences in the



structure and operations of the nine bodies, as well as in the bodies' interpretations of the information requested may present some difficulties in comparisons. Accordingly, care is needed in interpretation and direct comparison may not be appropriate or meaningful in some cases.

4. Further information regarding the Prescribed Accountancy Bodies

Further information regarding each of the nine PABs is available on their respective websites. Website addresses of each PAB are set out hereunder for readers' reference.

ACCA	www.accaglobal.com
AIA	www.aiaworldwide.com
CIMA	www.cimaglobal.com
CIPFA	www.cipfa.org.uk
ICAEW	www.icaew.com
ICAI	www.icaei.ie
ICAS	www.icas.org.uk
ICPAI	www.cpaireland.ie
IIPA	www.iipa.ie

5. Structure of the remainder of this Chapter

The remainder of this Chapter is divided into the following sections:

Part A	Membership
Part B	Investigation and disciplinary activities
Part C	Student population
Part D	Practising authorisation
Part E	Registered auditors
Part F	Individually authorised auditors
Part G	Recognised accountancy bodies' monitoring of registered auditors

Part A

Membership

The Tables and Charts in this Part provide information regarding the membership profile of each of the nine PABs. For the purposes of this Part, a '*member*' of a PAB is an individual who has applied for, and has been admitted to, full membership of that PAB. Admission to membership involves applicants satisfactorily fulfilling various criteria, which typically include:

- completing a course of study and successfully completing a PAB's professional examinations;
- obtaining a minimum period of relevant work experience; and
- undertaking to comply with the relevant PAB's constitutional documents, bye-laws, regulations, standards and codes of ethics and conduct, as applicable.

Once admitted to membership, members of the prescribed bodies are:

- entitled to use the designatory letters as provided for in the bodies' respective constitutional provisions; and
- required to fulfil certain obligations on an ongoing basis in order to retain that status, including maintaining up to date professional competence through undertaking continuing professional development (CPD) and ongoing compliance with the relevant PAB's various rules, regulations and standards etc. Failure to comply with same may render a member liable to disciplinary action.

It should be noted that the PABs impose additional requirements on those of their members wishing to engage in public practice (i.e. wishing to offer services to members of the public and in reserved areas such as audit or investment business). Part D of this Chapter provides further information regarding the requirements relating to practising authorisations.



Membership

Highlights 2007

- There has been an increase of approximately 6% in membership of the nine PABs in Ireland in 2007 (Table A.5), with a 4% increase in worldwide membership during that year (Table A.1). The increase in membership is mainly accounted for by admission of students to membership, as shown in Table A.5.
- ICAI, ICPAI and IIPA membership is predominantly based in Ireland, with the majority of the membership of CIMA, CIPFA, ICAEW and ICAS being based in the UK. While a majority (52%) of ACCA members are located in the UK and Ireland, a substantial minority are in other locations (6% in other EU countries and 42% outside the EU). A majority (61%) of AIA members are located outside of the EU (Table A.1).
- Four bodies dominate PAB membership in Ireland - ICAI members comprise almost 44% of PAB membership in Ireland, followed by ACCA with almost 27%, CIMA with 14% and ICPAI with 12% (Chart A.1).
- Approximately 35% of members of the PABs in Ireland are female, compared with approximately 34% in 2006 (Table A.2). Chart A.4 shows that males comprise the majority gender in all nine bodies. However, the number of female members has been rising over the past number of years, and the reader should also refer to the statistics on student numbers for evidence of the likely future trend in the gender of PAB membership.
- On an overall basis, and unchanged from 2006, the majority of members in Ireland (60%) are employed in business, with a large minority (28%) employed in practice (Table A.3). On an individual basis, with the exception of the IIPA, a minority of members of each PAB in Ireland are employed in practice.
- 70% of PAB membership in Ireland is comprised of individuals under 45 years of age (Table A.4). ACCA has the highest proportion of under 45s at 79%, followed by ICAI, ICPAI and CIMA, all at 69%.
- Increases in membership during the year arise in the main through the admission of students to membership. Decreases in membership arise principally from member resignations or exclusions. Exclusions arise mainly because of failure to pay the relevant PAB's subscription fee or, alternatively, as a result of disciplinary sanction. In the case of non-payment of a subscription fee, members are usually re-admitted once payment has been made. Table A.5 shows the movements in membership in Ireland during 2007.

Table A.1: Members Worldwide - Location

As at 31 Dec, 2007	2006	TOTAL	Recognised Accountancy Bodies								
			ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Ireland ⁷⁷	24,033	25,532	6,829	419	11,149	57	3,100	195	138	3,579	66
UK	251,328	257,269	57,431	111,288	3,972	14,769	89	4	1,591	54,791	13,334
Other EU Member States	9,729	11,899	7,202	2,987	267	338	23	0	91	919	72
Other locations	83,240	87,016	50,964	15,549	1,303	1,919	144	4	2,849	14,067	217
Total members worldwide 2007		381,716	122,426	130,243	16,691	17,083	3,356	203	4,669	73,356	13,689
Total members worldwide 2006	368,330	368,330	115,345	128,416	15,791	16,710	3,115	199	5,077	70,016	13,661
% change (rounded to nearest %)	-	4%	6%	1%	6%	2%	8%	2%	-8%	5%	0%

Chart A.1: % Share of PAB Members Located in Ireland

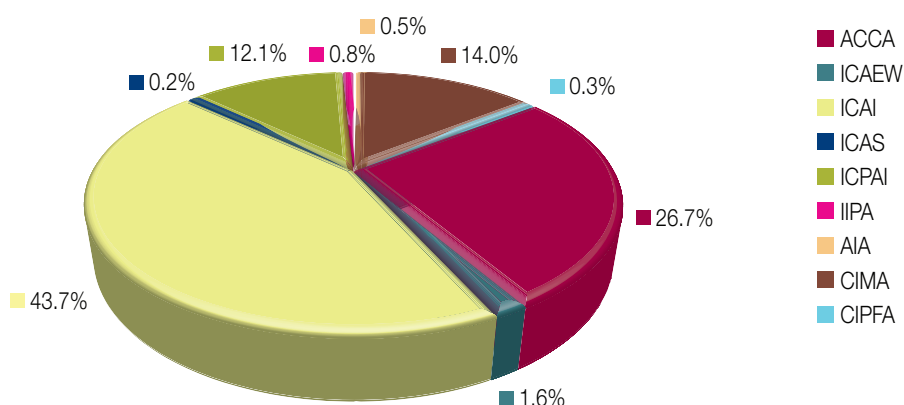
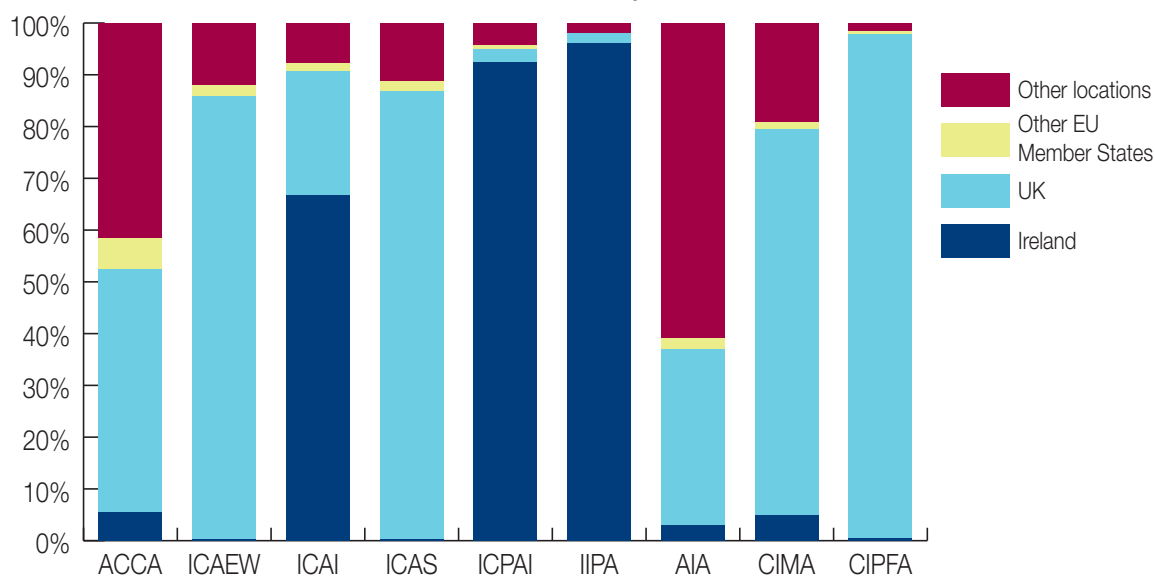


Chart A.2: Members Worldwide - Comparison of location



⁷⁷ Reference to 'Ireland' throughout this Chapter means located in the Republic of Ireland.



Table A.2: Members in Ireland - Gender Profile

As at 31 Dec, 2007	2006	TOTAL	Recognised Accountancy Bodies								
			ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Male	15,886	16,650	4,072	326	7,671	45	1,700	179	130	2,484	43
Female	8,147	8,882	2,757	93	3,478	12	1,400	16	8	1,095	23
Total membership	24,033	25,532	6,829	419	11,149	57	3,100	195	138	3,579	66

Chart A.3: Members in Ireland - Gender Profile

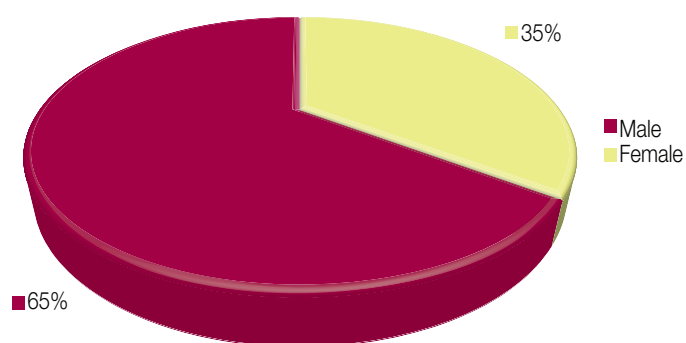


Chart A.4: Members in Ireland - Comparison of Gender Profile

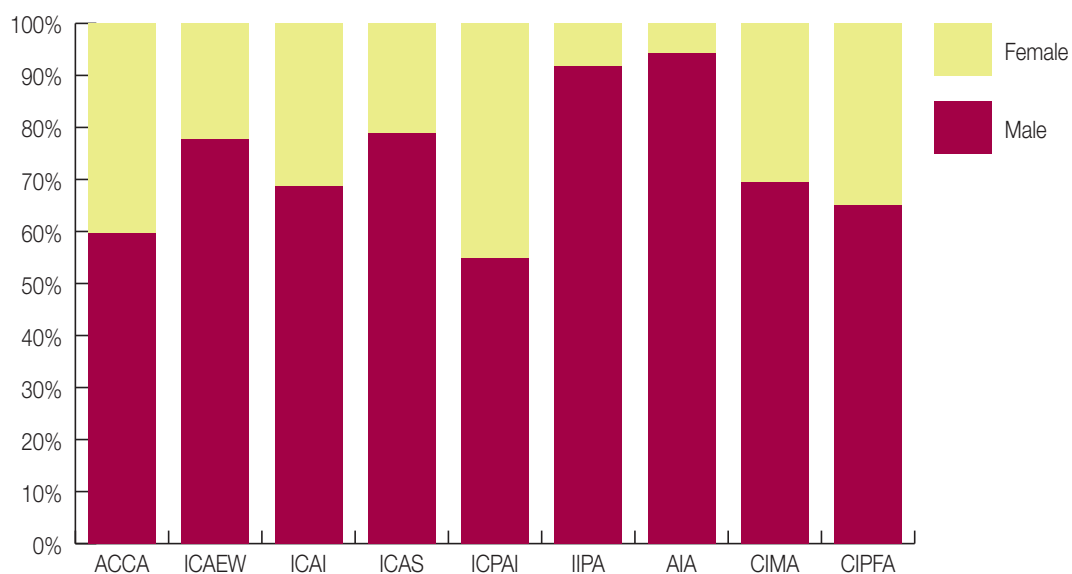


Table A.3: Members in Ireland - Employment Status

As at 31 Dec, 2007	2006	TOTAL	Recognised Accountancy Bodies								
			ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Practice	6,713	7,044	1,817	122	3,726	8	1,166	110	19	76	N/A
Industry/Business	14,391	15,379	4,272	203	6,658	34	1,524	85	94	2,505	4
Public sector	1,307	1,602	418	15	⁷⁸	2	302	0	5	802	58
Retired	850	954	156	55	470	7	52	0	17	196	1
Other	772	553	166	24	295	6	56	0	3	0	3
Total	24,033	25,532	6,829	419	11,149	57	3,100	195	138	3,579	66

Chart A.5: Members in Ireland - Employment Status

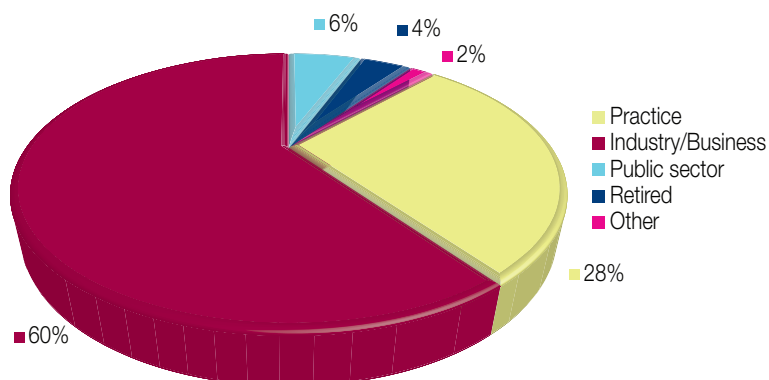
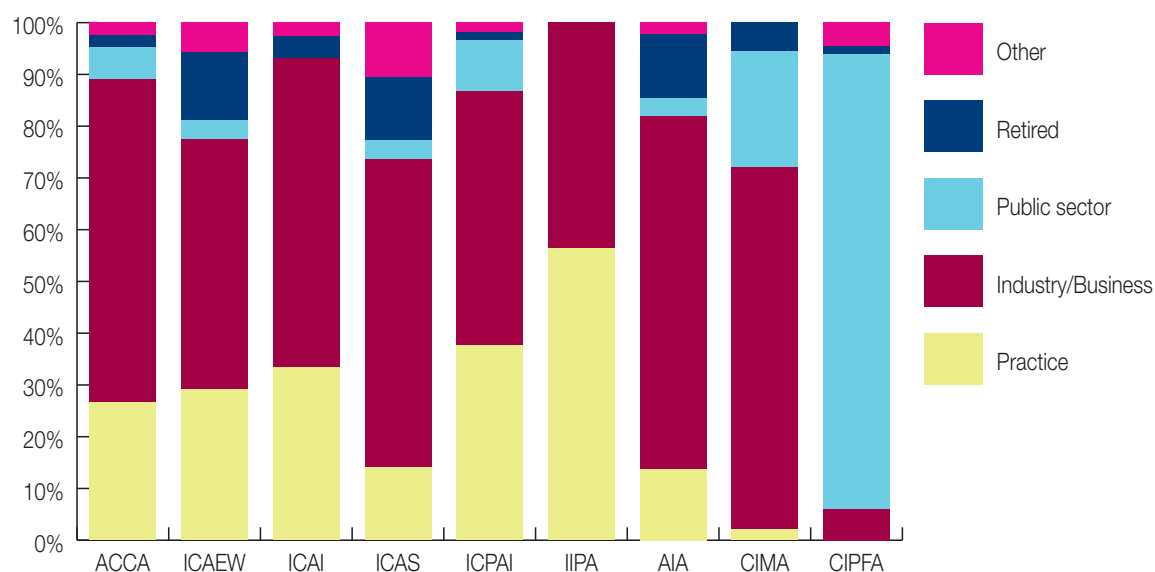


Chart A.6: Members in Ireland - Comparison of Employment Status



⁷⁸ Members of ICAI employed in the public sector are included in the Industry/Business category.



Table A.4: Members in Ireland - Age Profile

			Recognised Accountancy Bodies								
As at 31 Dec, 2007	2006	TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
< 25	80	53	22	0	14	0	11	-	4	2	0
25 – 34	8,219	8,573	2,391	47	4,298	9	980	-	9	839	0
35 – 44	8,597	9,340	2,960	150	3,386	13	1,147	-	26	1,628	30
45 – 54	3,852	4,159	953	65	1,827	17	693	-	37	543	24
55 – 64	1,942	2,139	390	104	1,012	11	222	-	42	348	10
65+	1,056	1,073	113	53	612	7	47	-	20	219	2
Date of birth not available	287	195	-	-	-	-	-	195 ⁷⁹	-	-	-
Total	24,033	25,532	6,829	419	11,149	57	3,100	195	138	3,579	66

Chart A.7: Members Worldwide- Age Profile

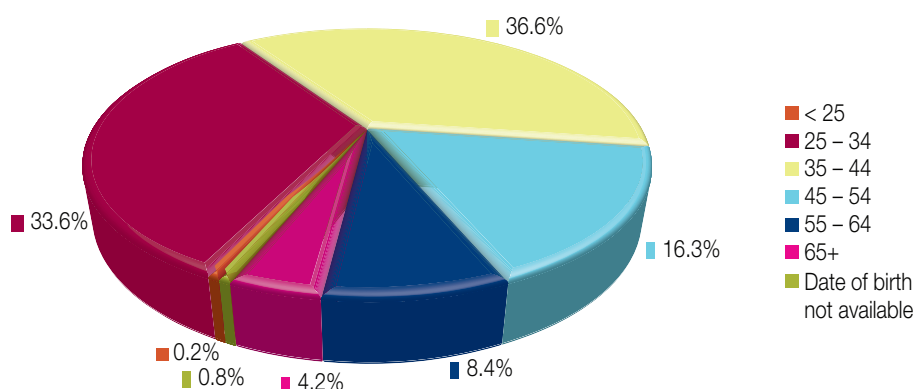
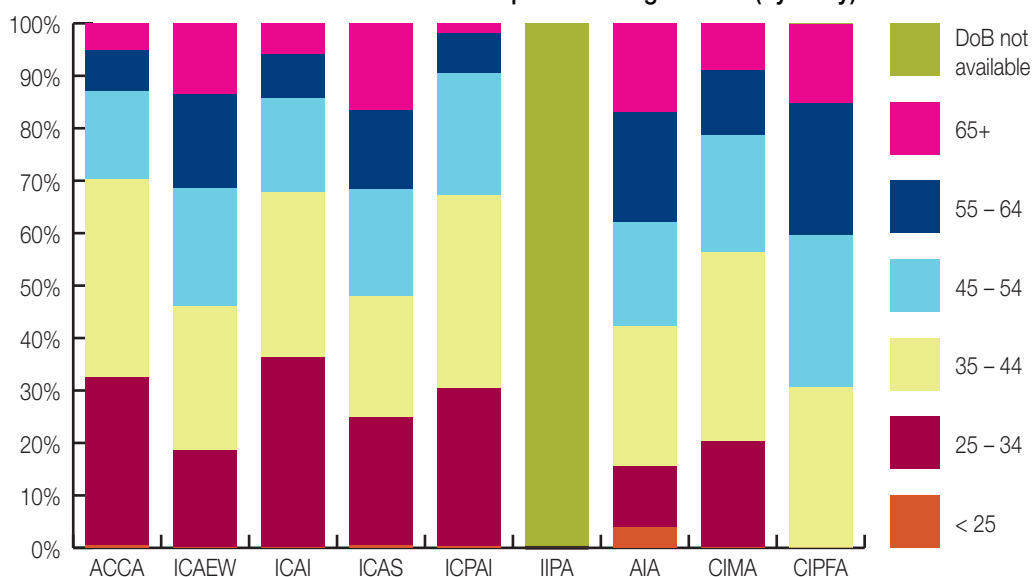


Chart A.8: Members Worldwide - Comparison of Age Profile (by body)



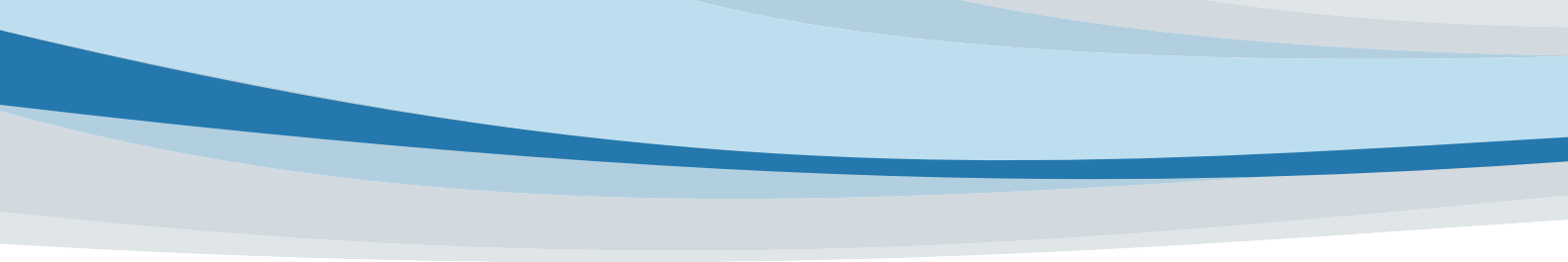
⁷⁹ The IIPA does not collate information relating to members' or students' ages.

Table A.5: Members in Ireland - Movement during 2007

	2006	TOTAL	Recognised Accountancy Bodies								
			ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Members in Ireland at 1 January	22,569	24,033	6,368	425	10,468	51	2,849	191	195	3,416	70
During the Year:											
Add: Students admitted as members	1,554	1,634	516	2	736	0	250	5	0	125	0
Members of other bodies admitted as members	28	19	7	0	1	0	3	3	5	0	0
Former members re-admitted to membership	118	175	95	3	14	0	4	0	0	59	0
Less: Members excluded from membership	(60)	(260)	(140)	0	(17)	0	0	(1)	0	(100)	(2)
Members resigning from membership	(101)	(121)	(9)	(3)	(27)	(1)	(5)	(1)	(62)	(11)	(2)
Members deceased	(40)	(48)	(8)	(6)	(26)	0	(1)	(2)	0	(5)	0
Other	(35)	100	0	(2)	0	7	0	0	0	95	0
Members in Ireland at 31 December, 2007		25,532	6,829	419	11,149	57	3,100	195	138	3,579	66
Members in Ireland 2006	24,033	24,033	6,368	425	10,468	51	2,849	191	195	3,416	70
% change in membership	-	6%	7%	-1%	7%	12%	9%	2%	-29%	5%	-6%

Chart A.9: Comparison of Members in Ireland





Part B

Investigation and Disciplinary Activities

The Tables in this Part of the Chapter provide information regarding the investigation and disciplinary activities of the PABs.

Under the supervisory model provided for by the Act, primary responsibility for the investigation of complaints relating to the PABs' members and member firms resides with those bodies, who are required to process same in accordance with investigation and disciplinary procedures approved by the Authority. Rather than being to supplant the PABs' responsibility to investigate complaints received, the Authority's role is to supervise the manner in which the bodies' complaints, investigations, disciplinary and appeals processes operate and whether they operate in accordance with approved procedures. However, notwithstanding the foregoing, following the receipt of a complaint or otherwise on its own initiative, the Authority is empowered to initiate enquiries into whether a PAB has complied with its approved procedures under section 23 of the Act. Further details concerning such enquiries are provided in Chapter 3 of this Report.

Each PAB's established systems and procedures are tailored to its specific requirements. Accordingly, the manner in which complaints concerning members and member firms are processed varies across the bodies. However, notwithstanding the differences in these processes, due to the requirement that disciplinary processes respect, *inter alia*, the principles of constitutional and natural justice as well as applicable human rights legislation, there are many similarities across the bodies, such as, for example, the organisation of investigation, disciplinary and appeals systems through committee structures.

When a member of the public (the complainant) makes a complaint to a PAB concerning the conduct or competence of a member of that PAB, the recipient body typically has a number of initial options available to it, including investigation by a Committee⁸⁰ (or assessor in the case of ACCA) or resolution by conciliation⁸¹ or other means permitted under its approved investigation and disciplinary procedures. In cases where a judgement is formed by either the Committee or the assessor that there is a *prima facie* case against the member, the member may either be referred to the formal disciplinary process or be offered a consent order⁸².

⁸⁰ It should be noted that not all the PABs use the same terminology for their Investigation Committee. For example, the ICAI refer to this committee as the Complaints Committee while the ICAS refer to it as the Investigations and Professional Conduct Enforcement Committee. For convenience, this Chapter refers generically to Investigation Committees.

⁸¹ It is worth noting that conciliation processes typically require the complaint to be resolved to the mutual satisfaction of all parties and is usually not permitted other than relating to minor matters. Additionally, it should be noted that not all PABs' processes and procedures provide for a complaint conciliation process.

⁸² A consent order is where a member admits to the findings of the Investigation Committee and consents to the sanctions imposed. Not all PABs' processes and procedures provide for a consent order process.



The range of sanctions available to the Investigation Committee and the Disciplinary Committee are outlined in Table B.6 and the nature of the sanction imposed on the member will depend on the seriousness of the wrongdoing. The member typically has a right of appeal against the findings of the Disciplinary Committee through an Appeal Committee.

- Table B.1 outlines the membership composition of the bodies' investigation and Disciplinary Committees, along with details of the number of meetings held by such Committees during 2007. As Table B.1 shows, there is variation between the bodies in terms of the numbers sitting on each Committee, and in several of the bodies, a majority of members of the Disciplinary and Appeal Committees are lay members, i.e. persons who are not also members of the body concerned.
- Tables B.2 and B.3 outline the number of complaints open at the end of 2006 and 2007, the number of new cases arising during 2007, the number of cases closed during 2007 and at what stage of the investigation and disciplinary process such complaints were closed by each body.
- Tables B.4 and B.5 outline the nature of the complaints received by each body during 2007.
- Table B.6 outlines the sanctions that may be imposed by each body in the case of a proven complaint. It should be noted that this Table refers only to sanctions available to the Investigation & Disciplinary Committees and does not take into account sanctions that may be imposed other than as part of the investigation & disciplinary process, e.g. by other Committees that operate outside the investigation & disciplinary process (e.g. Registration Committees and Quality Assurance Committees, howsoever called).
- Tables B.7 and B.8 provide an analysis of the sanctions imposed during 2007 in relation to cases closed during 2007 where there was an adverse finding against the member. As is evident from those Tables, the most common sanctions are reprimands, fines and the imposition of costs.

Table B.1: Investigation and Disciplinary Committees - Meetings & Membership⁸³

	Recognised Accountancy Bodies								
	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
No. of meetings held in 2007									
Investigation Committee	Note B.A	11	7	5	10	0	1	10	Note B.B
Disciplinary Committee/Tribunal	31	39	11	5	0	0	0	10	4
Appeal Committee/Tribunal	21	4	3	0	1	0	0	1	0
Disciplinary Committee/Tribunal									
Meetings held in public	31	0	11	0	0	-	0	9	4
Meetings held in Ireland	1	0	11	0	0	-	0	0	0
No. of Committee Members									
Investigation Committee	Note B.A	18	12	18	9	6	5	14	10
Disciplinary Committee	Note B.A	22	14	21	9	5	5	15	24
Appeal Committee	Note B.A	19	11	15	3	0	5	11	6
No. of non-member (lay) members									
Investigation Committee	Note B.A	8	7	9	5	3	1	6	5
Disciplinary Committee	Note B.A	10	9	12	5	3	1	10	13
Appeal Committee	Note B.A	4	6	9	2	0	3	7	4

Note B.A: ACCA does not operate an Investigation Committee. Instead, complaints are investigated by Investigations Officers. Following investigation, complaints are referred to an independent Assessor who is responsible for deciding whether there is a case to answer, and if so, whether to refer the case to the Disciplinary Committee. Members of the Disciplinary and Appeal Committees are drawn from a panel and at 31 December, 2007, there were 75 panel members (excluding chairpersons) comprising 34 lay members, 24 members in practice and 17 non-practising or retired members.

Note B.B: CIPFA's Investigation Committee does not routinely meet in person to conduct business, as the Disciplinary Regulations provide that the Committee may conduct business through the use of voice, video, electronic mail or other communication. During 2007, the Investigation Committee considered 9 new complaints under its screening procedures. The Committee considered 5 cases following investigation.

⁸³ The information in this table relates to the worldwide operations of each body.



Table B.2: Summary of Complaints - Ireland Relevant⁸⁴

Year to 31 December, 2007	Recognised Accountancy Bodies								
	ACCA	ICAEW ⁸⁵	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Complaints outstanding at 1 Jan, 2007	106 ⁸⁶	-	123 ⁸⁷	0	13	3	0	0	0
During the year:									
Add: New cases arising during the year	81	1	116	0	18	1	0	0	0
Less: Cases closed during the year by:									
• Secretary/Staff/Conciliation	(58)	-	(77)	0	(8)	(3)	0	0	0
• Assessor	(4)	-	0	0	0	0	0	0	0
• Investigation/Complaints Committee	0	-	(51)	0	(6)	0	0	0	0
• Disciplinary Committee	(6)	-	(4)	0	0	0	0	0	0
• Appeal Committee	0	-	(2)	0	(2)	0	0	0	0
Complaints outstanding at 31 Dec, 2007	119	1	105	0	15	1	0	0	0

⁸⁴ 'Ireland Relevant' means complaints relating to members and students located in Ireland, firms based in Ireland and members/firms with clients based in Ireland.

⁸⁵ ICAEW has reported that it does not have data as to where a firm's clients are situated and its systems do not specifically identify the location of a firm or member against whom a complaint is made. Therefore, it cannot provide complete data in relation to 'Ireland relevant' cases. However, ICAEW has specifically checked whether any complaints were made during the year against its registered auditor members based in Ireland and has reported one case under Ireland Relevant.

⁸⁶ The closing figure at the end of 2006 as reported in the 2006 Annual Return was 80. The difference of 26 is explained by the fact that all practising certificate holders are now included in this category of 'Irish Relevant', whereas previously it included only those holding a practicing certificate and audit qualification.

⁸⁷ The closing figure at the end of 2006 as reported in the 2006 Annual Return was 122. The difference relates to 1 complaint outstanding at 31/12/06 which was subsequently split into 2 separate complaints.

Table B.3: Summary of Complaints - Registered Auditors⁸⁸

	Recognised Accountancy Bodies					
Year to 31 December, 2007	ACCA	ICAEW ⁸⁹	ICAI	ICAS	ICPAI	IIPA
Complaints outstanding at 1 Jan, 2007	75 ⁹⁰	79	87	0	6	3
During the year:						
Add: New cases arising during the year	50	97	78	0	13	1
Less: Cases closed during the year by:						
• Secretary/Staff/Conciliation	(40)	(16)	(56)	0	(4)	(3)
• Assessor	(1)	0	0	0	0	0
• Investigation/Complaints Committee	0	(53)	(34)	0	(5)	0
• Disciplinary Committee	(5)	(17)	(1)	0	0	0
• Appeal Committee	0	0	(1)	0	(2)	0
Complaints outstanding at 31 Dec, 2007	79	90	73	0	8	1

⁸⁸ Registered auditor in this context means a firm or an individual that is registered to undertake statutory audits under the Companies Acts 1963 to 2006.

⁸⁹ ICAEW audit registration allows the audit firm to audit in both the UK and Ireland, unless the firm is a corporate body in which case its registration does not extend to audits in Ireland (S. 187 of the 1990 Act prohibits corporate bodies from appointment as auditors). ICAEW have not sought to remove statistics relating to corporate firms who cannot undertake audits in Ireland. Therefore, the figures in tables B.3, B.5 and B.8 include complaints relating to 1,372 corporate audit firms who cannot undertake audits in Ireland.

⁹⁰ The closing figure at the end of 2006 as reported in the 2006 Annual Return was 6. The difference is explained by the fact that in 2006 only those cases which were classified as an audit complaint were included here, whereas any complaint against a registered auditor is now included under this category.



Table B.4: Nature of Complaints Received - Irish Relevant

	Recognised Accountancy Bodies								
Year to 31 December, 2007	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Poor work or unsatisfactory professional service or conduct	-	-	46	-	9	1	-	-	-
Loss/withholding of client records	-	-	.. ⁹¹	-	1	-	-	-	-
Fee disputes	2	-	11	-	-	-	-	-	-
Delay/failure to respond and/or co-operate with the Institute/Association or an external party/regulator	-	-	18	-	1	-	-	-	-
Failure to report to a Regulator	-	-	4	-	-	-	-	-	-
Criminal conviction/Civil proceedings	2	-	7	-	-	-	-	-	-
Carrying on public practice or audit while not authorised	4	-	10	-	1	-	-	-	-
Other breach of company law/restriction or disqualification as a director/failure to satisfy judgement debt	-	-	13	-	-	-	-	-	-
Execution of an audit report by a non-RI (Responsible Individual)	-	-	-	-	-	-	-	-	-
Other audit related matters	6	1	23	-	-	-	-	-	-
Professional appointment related	5	-	1	-	2	-	-	-	-
Breach of Code of Ethics	25	-	.. ⁹¹	-	5	-	-	-	-
Breach of Institute/Association Rules of Regulations (such as in relation to client monies, Professional Indemnity Insurance)	-	-	16	-	1	-	-	-	-
Matters relating to insolvency work or conduct of a liquidation	15	-	8	-	-	-	-	-	-
Matters relating to investment business	3	-	.. ⁹¹	-	-	-	-	-	-
Tax work	0	-	.. ⁹¹	-	-	-	-	-	-
Training/student related matters	3	-	.. ⁹¹	-	-	-	-	-	-
Other	16	-	6 ⁹¹	-	-	-	-	-	-

Complaints are included in whichever category is relevant to the complaint, including more than one category where the complaint has a number of different elements.

⁹¹ For 2007, complaints falling under these categories are included in other categories in this Table. ICAI will add these categories to their complaint analysis in 2008.

Table B.5: Nature of complaints Received - Registered Auditor

Year to 31 December, 2007	Recognised Accountancy Bodies					
	ACCA	ICAEW ⁸⁹	ICAI	ICAS	ICPAI	IIPA
Poor work or unsatisfactory professional service or conduct	-	-	32	-	7	1
Loss/withholding of client records	-	-	- ⁹¹	-	1	-
Fee disputes	1	-	5	-	-	-
Delay/failure to respond and/or co-operate with the Institute/Association or an external party/regulator	-	-	13	-	1	-
Failure to report to a Regulator	-	-	1	-	-	-
Criminal conviction/Civil proceedings	2	-	5	-	-	-
Carrying on public practice or audit while not authorised	2	11	5	-	1	-
Other breach of company law/restriction or disqualification as a director/failure to satisfy judgement debt	-	-	11	-	-	-
Execution of an audit report by non-RI (Responsible Individual)	-	12	- ⁹¹	-	-	-
Other audit related matters	5	66	20	-	-	-
Professional appointment related	1	-	1	-	2	-
Breach of code of ethics	21	8	- ⁹¹	-	2	-
Breach of Institute/Association Rules of Regulations(such as in relation to client monies, professional indemnity insurance)	-	-	8	-	-	-
Matters relating to insolvency work or conduct of a liquidation	12	-	5	-	-	-
Matters relating to investment business	3	-	- ⁹¹	-	-	-
Tax work	0	-	- ⁹¹	-	-	-
Training/student related matters	0	-	- ⁹¹	-	-	-
Other	3	-	4	-	-	-

Complaints are included in whichever category is relevant to the complaint, including more than one category where the complaint has a number of different elements.



Table B.6: Available Disciplinary Sanctions

	Recognised Accountancy Bodies								
Year to 31 December, 2007	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Reprimand/severe reprimand	Y	Y	Y	Y	Y	Y	Y	Y	Y
Fine	Y	Y	Y	Y	Y	Y	Y	Y	Y
Costs	Y	Y	Y	Y	Y	Y	Y	Y	Y
Exclusion from membership	Y	Y	Y	Y	Y	Y	Y	Y	Y
Suspension from membership	N	N	Y	Y	Y	Y	Y	N	Y
Suspension of audit authorisation	Y	Y	N	N	Y	Y	N/A	N/A	N/A
Withdrawal of audit authorisation	Y	Y	Y	Y	Y	Y	N/A	N/A	N/A
Suspension of other authorisation	Y	Y	Y	N	Y	Y	Y	N/A	N/A
Withdrawal of other authorisation	Y	Y	Y	Y	Y	Y	Y	Y	N/A
Attach conditions to an authorisation	Y	Y	N	N	Y	N	Y	Y	N/A
Ineligible for an authorisation for period of time	Y	N	Y	N	Y	N	Y	N	N/A
Direct member to reimburse complainant for expenses incurred in connection with the complaint	Y	Y	N	N	N	N	Y	N	Y
Direct member to refund fees/ commission to complainant	Y	Y	N	N	N	N	Y	N	Y
Direct member to pay compensation to complainant	Y	N	N	N	N	N	N	N	N/A
Rest on file/similar sanction	Y	N	Y	N	Y	Y	Y	N	Y
Proven but no penalty/similar sanction	Y	Y	Y	N	Y	N	Y	N	Y
Publication of findings, including member's name	Y	Y	Y	Y	Y	Y	Y	Y	Y
Other	Y	N	N	Y	N	N	N	Y	Y
Can an Institute/Association investigation & disciplinary committee issue a consent order	N	Y	Y	Y	Y	N	Y	Y	Y
Can costs be imposed against the Institute/ Association by an I&D committee	Y	Y	Y	N	N	Y	N	N	Y

Key: Y = Available as a sanction; N = not available as a sanction; N/A = Not applicable to that body in Ireland

Table B.7: Analysis of Sanctions Imposed - Ireland Relevant

Year to 31 December, 2007	Recognised Accountancy Bodies								
	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Reprimands/severe reprimands imposed	2	-	31	-	3	-	-	-	-
Cases where fines were imposed	3	-	29	-	3	-	-	-	-
Aggregate value of fines imposed	£ 4,023	-	€ 93,900	-	€ 6,000	-	-	-	-
Maximum fine imposed in a single case	£ 2,043	-	€ 10,000	-	€ 3,000	-	-	-	-
Cases where costs were imposed	4	-	30	-	3	-	-	-	-
Aggregate value of costs imposed	£ 3,013	-	€ 89,700	-	€ 4,500	-	-	-	-
Maximum costs imposed in a single case	£ 820	-	€ 25,000	-	€ 2,500	-	-	-	-
Member exclusions applied	2	-	-	-	-	-	-	-	-
Member suspensions applied	X	X	1	-	-	-	-	X	-
Withdrawals of audit authorisation applied	-	-	-	-	1	-	N/A	N/A	N/A
Cases where conditions were attached to authorisation	-	-	X	-	3	X	-	-	N/A
Directions to pay compensation to complainant	2	X	X	X	X	X	X	X	N/A
Cases resting on file/similar	-	X	2	X	1	-	-	X	-
Cases proven but no penalty or similar	-	-	17	X	-	X	-	X	-
Other	1	X	X	-	X	X	X	-	-
Consent orders offered during the year	X	-	35	-	2	X	-	-	-
Consent orders accepted during the year	X	-	27	-	2	X	-	-	-
Cases where the committee decision to be published	5	-	32	-	3	-	-	-	-
Cases where the decision to be published, and the member identified in the publication	5	-	8	-	1	-	-	-	-

Key: X = Not available as a sanction; N/A = Not applicable to that body in Ireland

Each available sanction as described in Table B.6 is shown in Table B.7 only where at least one PAB has applied that sanction in 2007.



Table B.8: Analysis of Sanctions Imposed - Registered Auditor

Year to 31 December, 2007	Recognised Accountancy Bodies					
	ACCA	ICAEW ³⁹	ICAI	ICAS	ICPAI	IIPA
Reprimands/severe reprimands imposed	2	50	16	-	3	-
Cases where fines were imposed	3	51	16	-	3	-
Aggregate value of fines imposed	£ 4,023	£ 157,850	€ 29,500	-	€ 6,000	-
Maximum fine imposed in a single case	£ 2,043	£ 10,000	€ 10,000	-	€ 3,000	-
Cases where costs were imposed	3	54	16	-	3	-
Aggregate value of costs imposed	£ 2,403	£ 125,500	€ 38,000	£4,605	€ 3,000	-
Maximum costs imposed in a single case	£ 820	£ 7,100	€ 10,000	-	€ 2,500	-
Member exclusions applied	1	1	-	-	-	-
Member suspensions applied	X	X	-	-	-	-
Withdrawals of audit authorisation applied	-	-	-	-	1	-
Cases where conditions were attached to authorisation	-	-	X	1	3	N/A
Directions to pay compensation to complainant	2	X	X	X	X	N/A
Cases resting on file/similar	-	X	1	X	1	-
Cases proven but no penalty or similar	-	10	13	X	N/A	-
Consent orders offered during the year	X	-	14	-	2	X
Consent orders accepted during the year	X	-	15	-	2	X
Cases where the committee decision to be published	4	51	16	1	3	-
Cases where the decision to be published, and the member identified in the publication	4	51	4	1	1	-

Each available sanction as described in Table B.6 is shown in Table B.8 only where at least one recognised accountancy body has applied that sanction in 2007.

Part C

Student Population & Education

The Tables and Charts in this Part of the Chapter provide information about the student population of each PAB.

The education and training of students forms a significant part of the overall activities of the PABs. While students are subject to the provisions of applicable bye-laws, rules and regulations of the relevant body, they:

- do not have the status of membership of that body;
- cannot hold themselves out to be members; and
- are not entitled to use the designatory letters reserved for members of that body.

Student Population - Highlights 2007

- Taking all the prescribed bodies together, there has been an increase of approximately 4% in student numbers in Ireland in 2007, with a 7% increase in worldwide student numbers during that year (Table C.1).
- As with membership, ICAI, ICPAI and IIPA students are predominantly based in Ireland, with the majority of the students of CIMA, CIPFA, ICAEW and ICAS being based in the UK. A majority of ACCA and AIA students (61% and 95% respectively) are located outside the EU.
- Four bodies dominate the student market in Ireland – ACCA students comprise almost 47% of PAB students in Ireland, followed by ICAI with 30%, CIMA with 14% and ICPAI with 9% (Chart C.2). ICAEW, IIPA, AIA and CIPFA have very small student populations in Ireland, collectively comprising less than 1% of the market. ICAS do not currently have any students located in Ireland.
- In contrast with membership statistics, the majority of prescribed body accountancy students are female (54%) (Table C.2). On an individual basis, Chart C.4 shows that ACCA, ICAI, ICPAI, and CIPFA all have a majority female student population.



- On an overall basis, employment in practice is the largest employment sector for PAB students in Ireland at 44%, followed by business with 41% (Chart C.5). On an individual basis, the statistics show that ICAI students are employed predominantly in practice, while business is the largest employer for students of ACCA, ICPAI and CIMA (Table C.3).
- The majority of PAB students (61%) are between 25 and 34 years of age (Chart C.4), although this is not the case in all bodies, with a majority of ICAI's student population (51%) being under 25 (Table C.4).
- During 2007, 74% of PAB students registered with a degree or post-graduate qualification (Chart C.9). On an individual basis, and of the four bodies dominating the student market in Ireland, ICAI has the highest proportion of students with a relevant degree or post-graduate qualification (88%).

Table C.1: Students Worldwide - Location

As at 31 Dec, 2007	2006 ⁹²	TOTAL	Recognised Accountancy Bodies								
			ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Ireland	17,507	18,289	8,542	2	5,457	0	1,592	46	29	2,599	22
UK	146,199	150,782	74,511	14,193	1,186	3,455	6	0	257	54,256	2,918
Other EU Member States	23,156	25,388	23,488	527	5	2	4	0	118	1,241	3
Other locations	191,465	209,451	169,516	700	5	3	48	0	7,953	31,176	50
Total students worldwide 2007	-	403,910	276,057	15,422	6,653	3,460	1,650	46	8,357	89,272	2,993
Total students worldwide 2006	378,327	378,327	252,767 ⁹³	13,550 ⁹⁴	5,983 ⁹⁵	3,154	1,926	57	9,554	88,265	3,071
% change (rounded to nearest %)	-	7%	9%	14%	11%	10%	-14%	-19%	-13%	1%	-3%

Chart C.1: Students Worldwide - Location

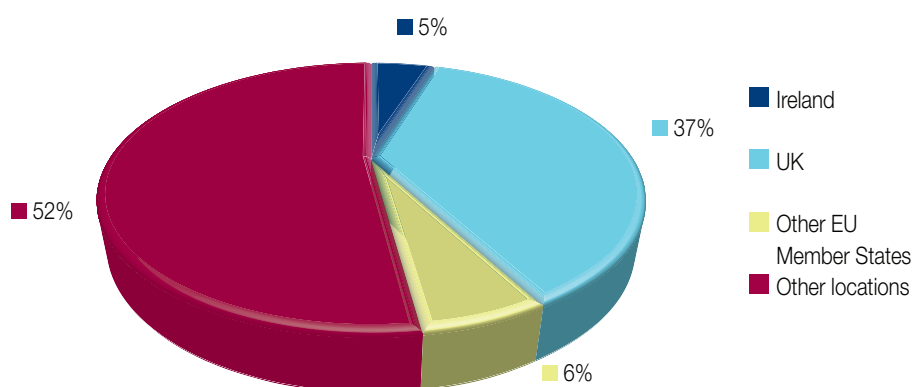
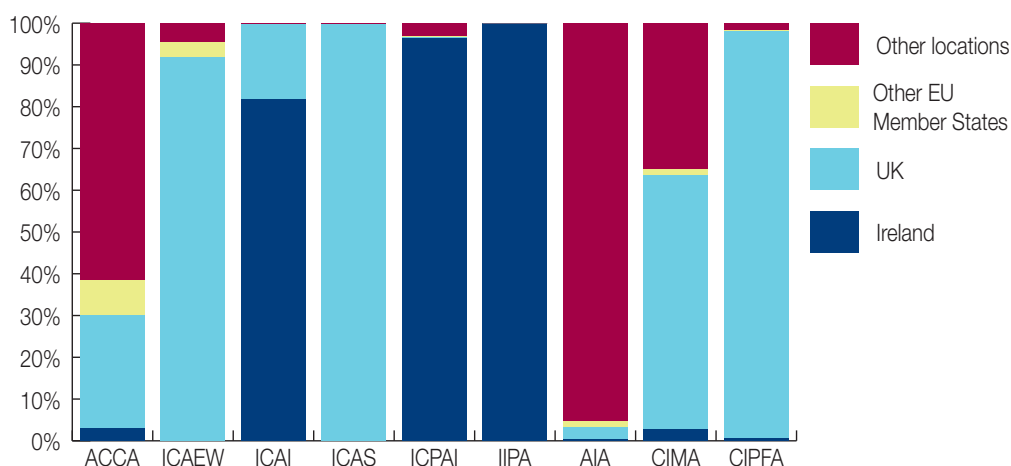


Chart C.2: Students Worldwide - Comparison of Location



⁹² The 2006 figures have been restated to adjust for the amendments required for ACCA, ICAEW and ICAI as described in the footnotes below.

⁹³ The figure shown in the Annual Return at the end of 2006 was 296,058 (9,092 in Ireland). ACCA have restated this figure in the 2007 Return to 252,767 (7,947 in Ireland) arising from the exclusion of 43,291 (1,145 in Ireland) students who are not pursuing the education process for admission to full membership such as students who are currently pursuing an accounting technician qualification.

⁹⁴ The figure shown in the Annual Return at the end of 2006 was 11,680 (2 in Ireland). ICAEW have restated this figure in the 2007 Return to 13,550 (2 in Ireland) arising from the inclusion of 1,870 students who had qualified but not been admitted to membership.

⁹⁵ The figure shown in the Annual Return at the end of 2006 was 4,525 (3,732 in Ireland). ICAI have restated this figure in the 2007 Return to 5,983 (4,839 in Ireland) arising from the inclusion of 1,458 (1,107 in Ireland) students who are out of contract but still studying and students who are eligible to apply for membership.



Table C.2: Students in Ireland - Gender Profile

As at 31 Dec, 2007	TOTAL	Recognised Accountancy Bodies								
		ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Male	8,338	3,594	2	2,670	0	542	30	19	1,471	10
Female	9,951	4,948	0	2,787	0	1,050	16	10	1,128	12
Total	18,289	8,542	2	5,457	0	1,592	46	29	2,599	22

Chart C.3: Students in Ireland - Gender Profile

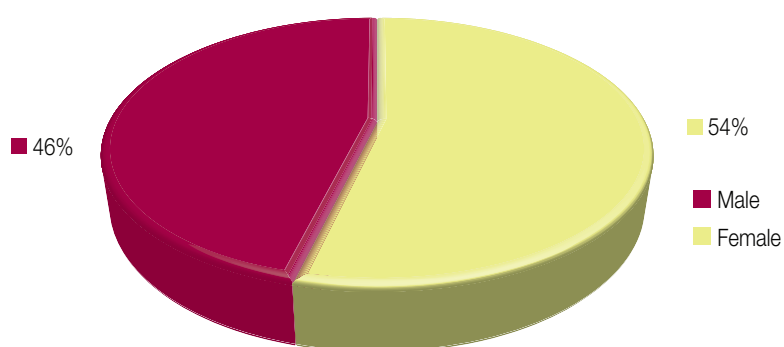


Chart C.4: Students in Ireland - Comparison of Gender Profile

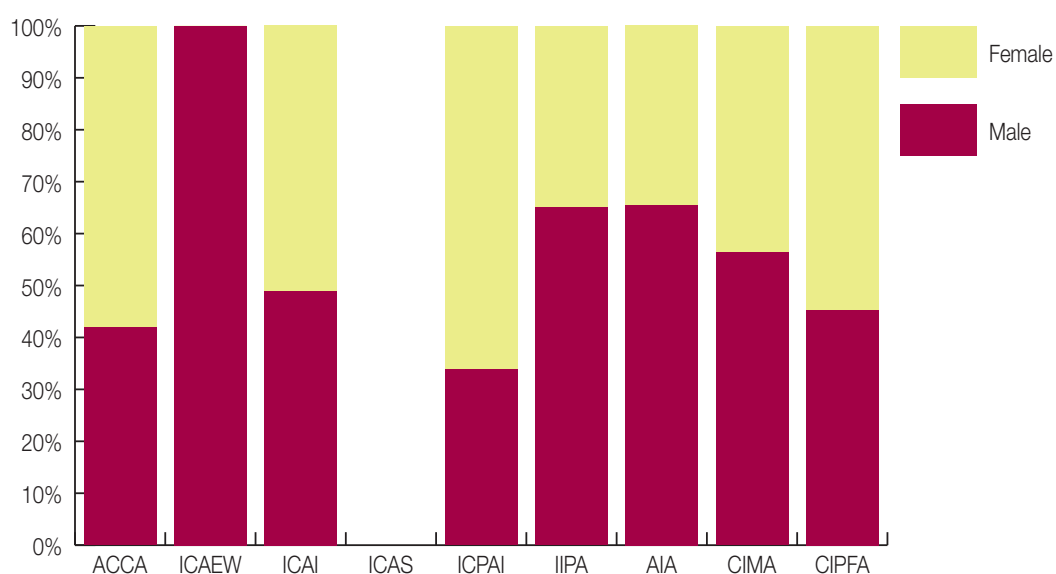


Table C.3: Students in Ireland - Employment Status

As at 31 Dec, 2007	TOTAL	Recognised Accountancy Bodies								
		ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Practice	8,023	2,421	0	5,162	0	424	0	16	0	N/A
Industry/Business	7,422	4,333	0	121	0	903	0	11	2,053	1
Public sector	1,181	545	0	23	0	149	0	2	442	20
In full-time education	877	722	0	151	0	4	0	0	0	0
Other	786	521	2	0	0	112	46	0	104	1
Total	18,289	8,542	2	5,457	0	1,592	46	29	2,599	22

Chart C.5: Students in Ireland - Employment Status

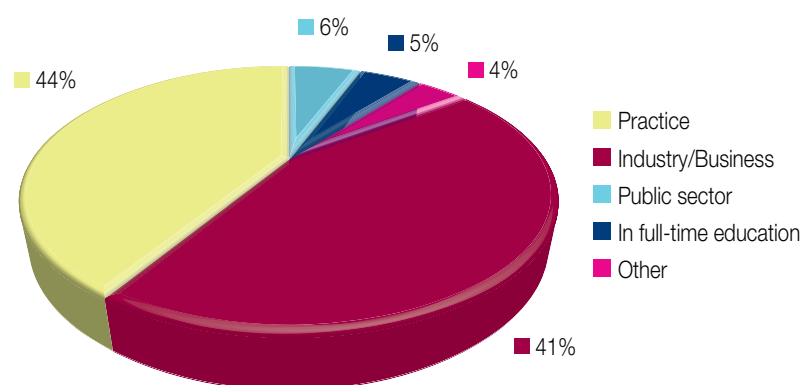


Chart C.6: Students in Ireland - Comparison of Employment Status

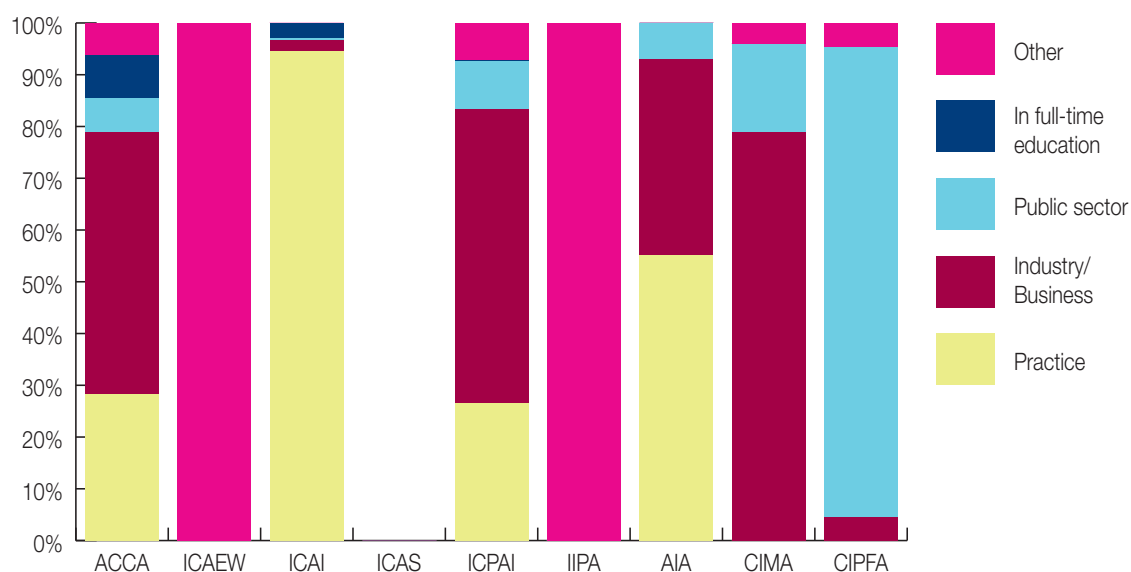


Table C.4: Students in Ireland - Age Profile

		Recognised Accountancy Bodies								
As at 31 Dec, 2007	TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
< 25	4,277	994	1	2,791	0	302	0	0	189	0
25 – 34	11,146	6,064	1	2,490	0	900	0	6	1,678	7
35 – 44	2,194	1,132	0	160	0	303	0	7	582	10
45 – 54	459	252	0	9	0	76	0	11	111	0
55 – 64	148	83	0	7	0	11	0	5	38	4
65+	19	17	0	0	0	0	0	0	1	1
Date of birth not available	46	0	0	0	0	0	46	0	0	0
Total	18,289	8,542	2	5,457	0	1,592	46	29	2,599	22

Chart C.7: Students in Ireland - Age Profile

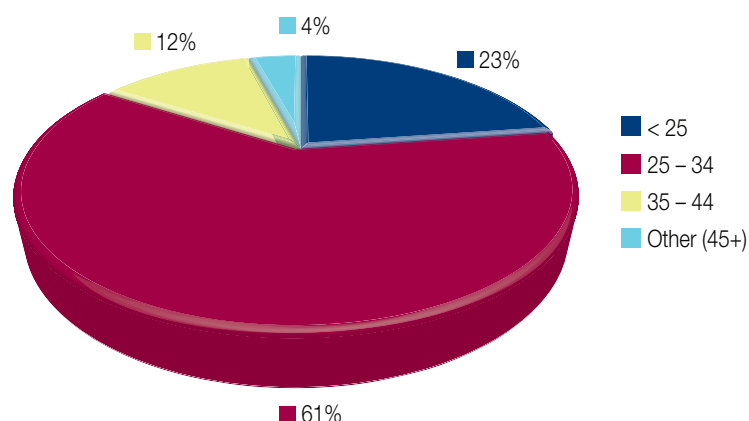


Chart C.8: Students in Ireland - Comparison of Age Profile

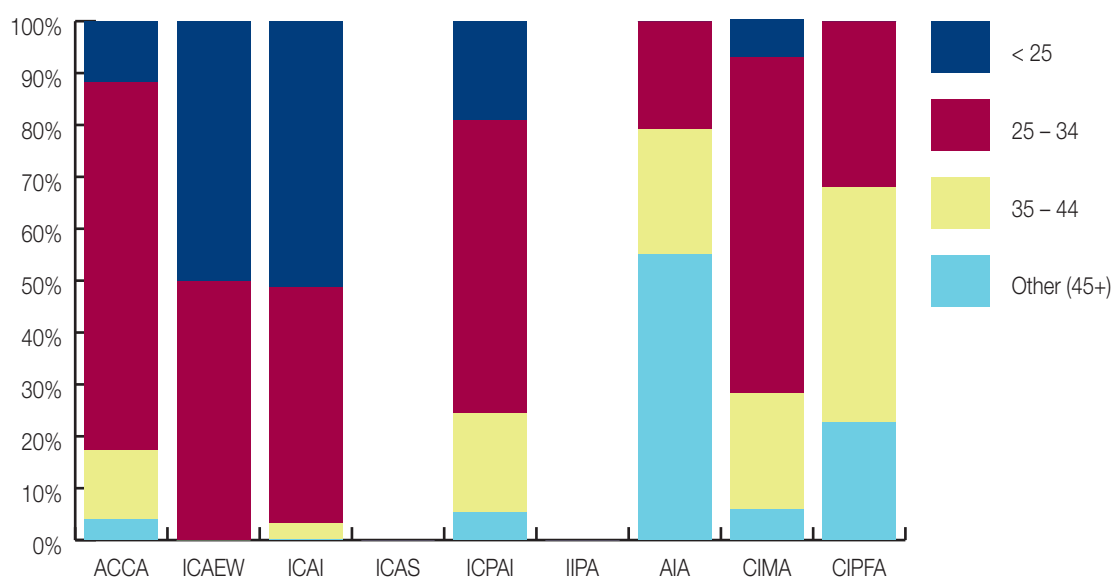


Table C.5: Students in Ireland - Movement during the year

	Recognised Accountancy Bodies									
	Total	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Students in Ireland at 1 January, 2007	17,507	7,947 ⁹³	2	4,839 ⁹⁵	0	1,883	57	40	2,716	23
During the year:										
Add: New students registered	4,486	2,179	2	1,424	0	440	12	3	423	3
Less: Lapsed student registrations	(1,912)	(1,040)	0	0	0	(479)	(18)	(14)	(359)	(2)
Student registrations cancelled	(156)	(28)	0	(70)	0	0	0	0	(56)	(2)
Students admitted as full members	(1,634)	(516)	(2)	(736)	0	(250)	(5)	0	(125)	0
Other	(2)	0	0	0	0	(2)	0	0	0	0
Students in Ireland at 31 December 2007	18,289	8,542	2	5,457	0	1,592	46	29	2,599	22
Total student membership 2006	17,507	7,947	2	4,839	0	1,883	57	40	2,716	23
% change (rounded to nearest %)	4%	7%	0%	13%	0%	-15%	-19%	-28%	-4%	-4%



Table C.6: New students registered in Ireland - Educational Background

		Recognised Accountancy Bodies								
Students registered during the year:	TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Non-relevant primary degree	1,225	959	2	149	0	20	0	0	94	1
Relevant primary degree	1,709	459	0	934	0	158	5	0	152	1
Non-relevant post-graduate qualification	1	0	0	0	0	0	1	0	incl. above ⁹⁶	incl. above
Relevant post-graduate qualification	402	69	0	322	0	11	0	0	incl. above ⁹⁶	incl. above
Without a degree	1,149	692	0	19	0	251	6	3	177	1
New students registered	4,486	2,179	2	1,424	0	440	12	3	423	3

Chart C.9.: New Students in Ireland - Educational Background

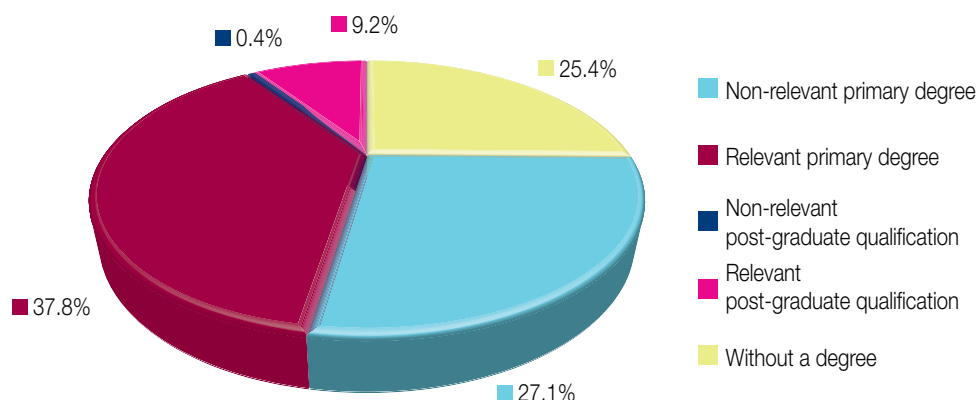
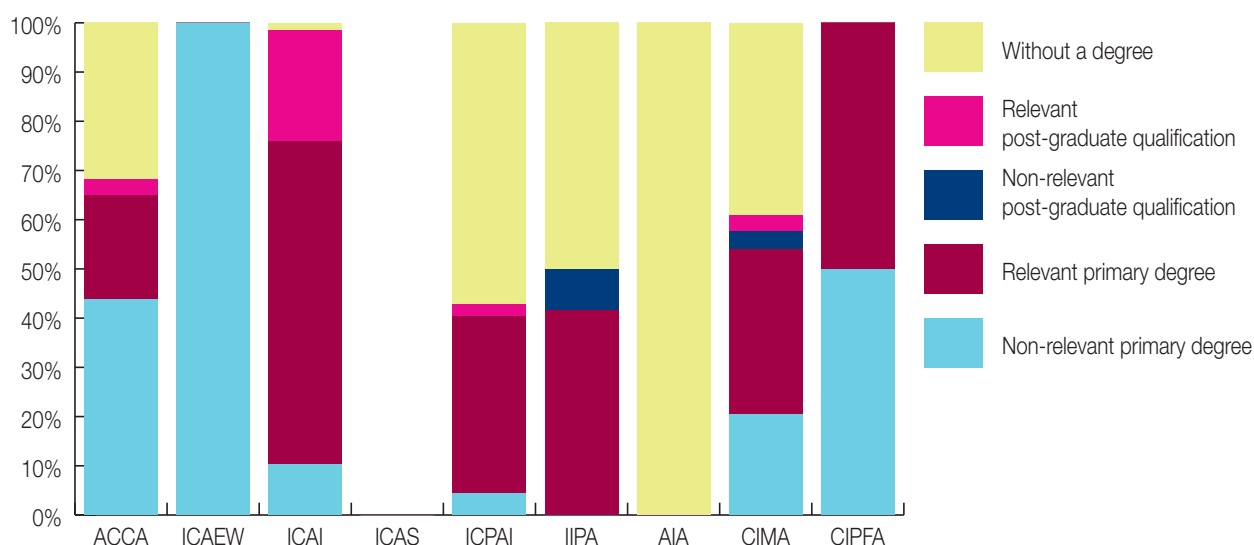


Chart C.10: Students in Ireland - Comparison of New Students Registered During 2007



⁹⁶ Included in these figures are 17 students who had a non-relevant post-graduate qualification and 15 students who had a relevant post-graduate qualification.

Table C.7: Continuing Professional Development Policies

Body	Summary of Continuing Professional Development (CPD) Policies
ACCA	<p>CPD is a mandatory requirement for all members, with exemptions for members who are retired and not holding a practising certificate, insolvency licence and in exceptional circumstances. ACCA's CPD programme provides three different CPD routes. The selection of an appropriate CPD and learning intervention is the responsibility of the individual member who must ensure that the CPD is relevant to their role and specialisation. The three routes are as follows (i) Unit (input) route: for those who are planning and organising their own CPD. Under the unit route, members are required to complete at least 40 relevant units of CPD each year. One unit is equal to one hour of development. 21 units must be verifiable and 19 can be non-verifiable; (ii) ACCA Approved Employer (output) route: for those who work for an organisation which meets ACCA's required standard to be an ACCA Approved Employer; and (iii) Other IFAC body route: for those members who are also full members of another IFAC member body, in which case they may choose to follow the other IFAC body's CPD scheme if it meets IFAC's International Education Standard 7.</p>
ICAEW	<p>CPD is a mandatory requirement for all members, with exemptions for certain members who do not provide any accountancy or other services and do not have any intention of so providing in the future. The Institute operates an outputs-based system whereby members are required to assess their development needs, act on them and assess the outcomes. ICAEW also operates an employer accreditation system where firms can apply to be accredited for CPD and allow internal training records to be used for CPD evidence to the Institute.</p>
ICAI	<p>CPD is a mandatory requirement for all members, with certain exemptions for retired members and members undertaking a career break. Members are required to complete 20 hours structured and 20 hours unstructured CPD in any year, but this can be taken over a rolling 3 year period. Members in practice and members employed in practice are required to undertake 30 hours unstructured and 10 hours structured in each service area in which they practice (i.e. Audit, Tax, Investment Business, Insolvency). It should be noted that ICAI's CPD regime will undergo significant change in 2008.</p>



Body	Summary of Continuing Professional Development (CPD) Policies
ICAS	<p>CPD is a mandatory requirement, with exemptions for fully retired members, members who are unemployed, on a career break or maternity leave. There is no prescriptive or set hours based requirement. Instead, members are asked to decide and undertake CPD which is relevant to their current and future roles. Members are required to self-certify that they have complied with the requirements. ICAS also operates an accredited employer programme whereby members who take part in the in-house training and development scheme of an approved employer are not required to undertake additional CPD activities.</p>
ICPAI	<p>CPD (CPE) is a mandatory requirement for all members, but certain exemptions are given for categories of members such as retired members, members on career breaks etc. Members in practice and members employed in practice are required to undertake 75 hours structured and 45 hours unstructured over a 3 year period, with a minimum of 30 hours in any one year. Members not in practice and not employed in practice are expected to complete a total of 120 hours CPE over a 3 year period, of which 60 hours are structured CPE and 60 hours are unstructured CPE. The minimum requirement is 20 hours in any one year. Members holding practising certificates must complete at least 40 hours structured CPE from any combination of 6 areas of core competencies over a three year cycle (Financial Accounting, Auditing, Company Law, Taxation, Professional Ethics and Practice Management).</p>
IIPA	<p>CPD is not mandatory for all members. CPD is mandatory only for members who hold practising certificates. Such members must complete 96 hours of CPD over 3 years. Members may be allowed up to 11 CPD hours for relevant reference reading material. Members must complete a minimum of 18 hours CPD in any particular year (excluding reference reading). Members who attend other approved courses will be allowed CPD credits.</p>
AIA	<p>CPD is a mandatory requirement for all members with exemptions for members who are fully retired and undertake no accountancy work. Members who are to all intent and purposes retired but undertake some accountancy work will be exempt from the requirements if the income from the accountancy work undertaken does not exceed an annual income of £ 5,000. Members are required to complete at least 120 units of relevant CPD activity in each</p>

Body Summary of Continuing Professional Development (CPD) Policies

rolling 3 year period, of which 60 units should be verifiable. A minimum of 20 units of verifiable CPD must be completed each year. All members holding practising certificates must maintain their competence in the specialised areas of their practice and complete an appropriate proportion of development activity in those areas. Members must maintain a continuous record of their CPD activities and are required to complete an annual CPD declaration.

CIMA CPD is a mandatory requirement for all members. CPD requirements are output-based, and are in line with IFAC's Statement of Membership Obligation. Members are required to maintain a register of CPD undertaken, to be able to justify it and undergo monitoring, which is done on the basis of a representative and valid statistical sample.

CIPFA CPD is a mandatory requirement for all members, with exemptions for certain members such as those who are retired or on a career break. Members can choose to participate at Level 1, the minimum requirement or Level 2, the best practice level, working to a CPD year which is any 12 month period of their choice. Members should undertake a combination of technical, leadership and management development activities which can be structured or unstructured. Members should confirm participation annually at the end of each CPD year by returning a completed Statement of Declaration.



Part D

Practising Authorisation

The Table in this Part of the Chapter provides information about the practising authorisation activities of each of the PABs. As alluded to in Part A of this Chapter, the PABs impose additional requirements on those of their members wishing to engage in public practice (i.e. offer services to the public) before authorising them to do so. These additional requirements normally include:

- the necessity to arrange minimum levels of Professional Indemnity Insurance (PII) cover;
- putting in place practice continuity arrangements whereby in the event of non-continuation of the practice (e.g. in the case of illness or death) clients' affairs will be afforded continuity of service;
- obtaining minimum levels of post admittance to membership experience; and
- undertaking continuing professional development in areas of relevance to their practice.

Members or member firms who satisfy the specified criteria are granted a practising certificate, which authorises them to engage in public practice (but not to carry out work in reserved areas such as audit or investment business, for which additional authorisations are required), and are generally required to renew this authorisation annually. Employees of a practising member or firm are not usually required to hold a practising certificate, unless they are holding themselves out to provide services to the public in their individual capacity as a member.

The following Table shows how many members of each accountancy body that are located in Ireland have satisfied the relevant requirements and have been authorised to engage in public practice. However, some of the PABs also authorise members located outside of Ireland to practice in Ireland and, therefore, the Table also shows the number of members of each accountancy body located worldwide who have been granted a practising certificate which includes the authorisation to engage in public practice in Ireland.

The Table shows that while there are 30,562 PAB members authorised to engage in public practice in Ireland, there are only 2,966 of those members located in Ireland. Of those located in Ireland, three bodies dominate the population, with ICAI members accounting for 54%, ACCA members at 19% and ICPAI members making up 17%.

Table D.1: Members with Practising Certificates who are located in Ireland

As at 31 December, 2007	TOTAL	Recognised Accountancy Bodies						AIA	CIMA	CIPFA
		ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA ⁹⁷			
Whether the grant of a practising certificate is to an individual member or a firm	-	Member	Member	Member	Member	Member	Both	Member	Member	Member
Members with practising certificates at 1 January 2007	2,876	552 ⁹⁸	61	1,578	4	473	120	12	76 ⁹⁹	- ¹⁰⁰
During the year:										
Add: Members who were awarded a new certificate during the year	199	46	3	102	0	39	2	7	0	-
Less: Members who did not renew their practising certificate during the year	(83)	(23)	(2)	(50)	0	(6)	(2)	0	0	-
Practising certificates withdrawn by the Institute/Association during the year	(12)	0	0	(11)	0	0	(1)	0	0	-
Other	(14)	0	(3)	(9)	0	0	(2)	0	0	-
Practising certificates at 31 Dec, 2007 (for members located in Ireland)	2,966	575	59	1,610	4	506	117	19	76	-
Practising certificates at 31 Dec, 2007 to practice in Ireland (for members worldwide)	30,562	1,207	23,291	2,210	1,840	506	117	19	1,372	-

⁹⁷ IIPA's practising certificate also entitles that member to offer audit services. All of the other recognised bodies issue separate audit authorisation.

⁹⁸ The prior year closing figure was 1,196 and reflected all members who had a practising certificate to practice in Ireland, regardless of where located. This figure has been amended to reflect only those members with practising certificates located in Ireland.

⁹⁹ This figure reflects all members of CIMA who have registered as a CIMA Member in Practice (not just members who have a practising certificate as reported in 2006).

¹⁰⁰ CIPFA introduced a new scheme for members in practice with effect from 1 January, 2008. CIPFA members wishing to offer accountancy services to third parties are required to hold a practising certificate, and are subject to the Institute's practice regulations. The initial sign-up of relevant members is in progress and will be completed during 2008. Further details of this scheme are available at www.cipfa.org/practiceassurance



Part E

Registered Auditors

The Tables and Charts in this Part of the Chapter provide information about the registered auditor members/member firms of each of the six¹⁰¹ recognised accountancy bodies.

Certain companies are obliged under company law to have their financial statements audited by a suitably qualified auditor or audit firm on an annual basis¹⁰². To be eligible to undertake statutory audits of a company, an individual or a firm must meet the criteria set out in section 187 of the 1990 Act. These criteria include:

- I being a member of a recognised accountancy body; and
- II holding a valid practising certificate (conferring the entitlement to audit) from such a body.

Section 187 of the 1990 Act also provides that certain persons who, while not being members of a recognised accountancy body, are entitled to perform statutory audit work on foot of individual Ministerial authorisations granted prior to 3 February, 1983 and having been registered under the provisions of section 199(3) of the 1990 Act. Further details of these individuals are provided in Part F of this Chapter.

'Registered auditor', in the context of the following Tables, means a firm or an individual that is registered to undertake statutory audits under the Companies Acts 1963 to 2006, being a member or member firm of a recognised accountancy body and holding the appropriate practising certificate/authorisation from such a body.

Membership of a recognised accountancy body does not automatically entitle an individual or firm to provide audit services. Rather, to obtain audit registration, a member or firm must satisfy the relevant body's additional criteria (i.e. over and above those required for (i) membership; and (ii) practising authorisation) which normally include:

- an audit qualification for any individual who proposes to sign an audit report; and
- sufficient and appropriate audit related post-membership experience.

While there are 6,773 auditors authorised by the recognised bodies to offer auditing services in Ireland (Table E.1), the number of those with offices in Ireland is substantially smaller at 1,548 (Table E.2). The majority of auditors with offices in Ireland operate as 1 principal firms (Table E.2), meaning that there is one partner in the firm, who may or may not employ a number of staff. As Table E.4 shows, the number of auditors with offices in Ireland has decreased during 2007, on both an overall basis and for each individual recognised body. This trend is also apparent in the worldwide figures (Table E.3).

¹⁰¹ The other three prescribed bodies (i.e. AIA, CIMA and CIPFA) are not recognised and cannot, therefore, confer audit authorisations in Ireland on their members/member firms.

¹⁰² Certain companies who meet defined criteria may avail of an exemption from the general requirement to have financial statements audited.

Table E.1: Registered Auditors - Analysis by Principal and Offices Worldwide

As at 31 December, 2007	TOTAL	Recognised Accountancy Bodies					
		ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Whether audit registration is by member or by firm	-	Firm	Firm	Firm	Firm	Firm	Both
Total number of registered auditors at 31 December	6,773	554	4,526	1,006	224	346	117
<i>Analysis of firms by number of principals:</i>							
1 principal	3,796	413	2,265	654	95	252	117
2 - 5 principals	2,554	135	1,893	321	111	94	0
6 - 10 principals	287	4	249	21	13	0	0
11 - 25 principals	100	2	91	4	3	0	0
26 - 50 principals	22	0	15	5	2	0	0
50 + principals	14	0	13	1	0	0	0
<i>Analysis of firms by number of offices</i>							
1 office	5,355	492	3,297	929	181	339	117
2 offices	1,070	52	920	58	34	6	0
3 offices	210	9	187	14	0	0	0
4 - 5 offices	89	1	76	4	7	1	0
6 - 10 offices	33	0	31	1	1	0	0
11 - 20 offices	8	0	7	0	1	0	0
More than 20 offices	8	0	8	0	0	0	0



Chart E.1: Comparison of Registered Auditors Worldwide by Number of Principals

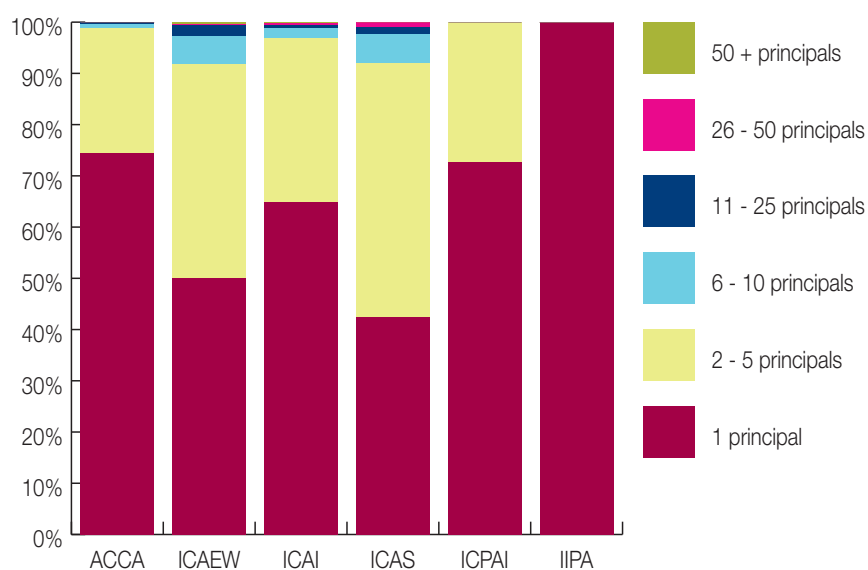


Chart E.2: Comparison of Registered Auditors Worldwide by Number of Office

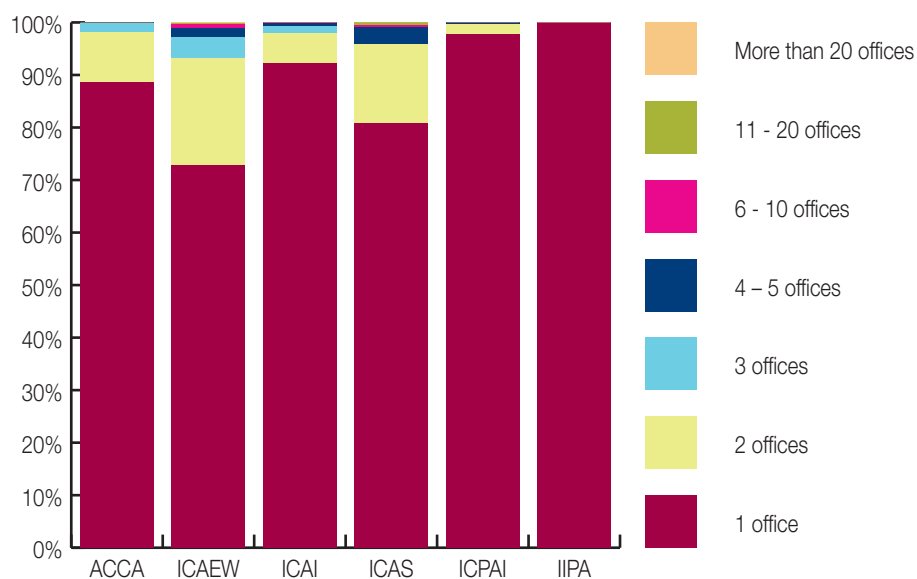


Table E.2: Registered Auditors with offices in Ireland - Analysis by Principal and Offices

As at 31 December, 2007	TOTAL	Recognised Accountancy Bodies					
		ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Whether audit registration is by member or by firm	-	Firm	Firm	Firm	Firm	Firm	Both
Total number of registered auditors at 31 December	1,548	307	7	770	1	346	117
<i>Analysis of firms by number of principals:</i>							
1 principal	1,119	226	7	516	1	252	117
2 - 5 principals	403	78	0	231	0	94	0
6 - 10 principals	17	3	0	14	0	0	0
11 - 25 principals	3	0	0	3	0	0	0
26 - 50 principals	5	0	0	5	0	0	0
50 + principals	1	0	0	1	0	0	0
<i>Analysis of firms by number of offices</i>							
1 office	1,467	276	7	727	1	339	117
2 offices	68	29	0	33	0	6	0
3 offices	9	2	0	7	0	0	0
4 - 5 offices	3	0	0	2	0	1	0
6 - 10 offices	1	0	0	1	0	0	0
11 - 20 offices	0	0	0	0	0	0	0
More than 20 offices	0	0	0	0	0	0	0



Table E.3: Registered Auditors - Movement during the year

Year to 31 December, 2007	TOTAL	Recognised Accountancy Bodies					
		ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Audit registrations at 1 January, 2007	7,168	585	4,817	1,028	268	350	120
During the year:							
Add: New applications for audit registration accepted	382	27	294	41	0	18	2
Less: Audit registrations withdrawn/not renewed following a request from the registered auditor	(720)	(56)	(552)	(56)	(36)	(18)	(2)
Audit registrations withdrawn/suspended as a result of disciplinary or other regulatory action taken by the Institute/Association	(45)	(2)	(33)	(5)	0	(4)	(1)
Other	(12)	0	0	(2)	(8)	0	(2)
Registered auditors at 31 December, 2007	6,773	554	4,526	1,006	224	346	117

Table E.4: Registered Auditors with office in Ireland - Movement during the year

Year to 31 December, 2007	TOTAL	Recognised Accountancy Bodies					
		ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Audit registrations at 1 January, 2007	1,578	311	10	786 ¹⁰³	1	350	120
During the year:							
Add: New applications for audit registration accepted	64	18	0	26	0	18	2
Less: Audit registrations withdrawn/not renewed following a request from the registered auditor	(82)	(21)	(3)	(38)	0	(18)	(2)
Audit registrations withdrawn /suspended as a result of disciplinary or other regulatory action taken by the Institute/Association	(9)	(1)	0	(3)	0	(4)	(1)
Other	(3)	0	0	(1)	0	0	(2)
Registered auditors at 31 December, 2007	1,548	307	7	770	1	346	117

¹⁰³ There was an error in the ICAI closing figure of 792 reported for 2006 which should have been reported as 786 as above.

Part F

Individually Authorised Auditors

As alluded to in Part E of this Chapter, section 187 of the 1990 Act provides that certain persons, while not being members of a recognised accountancy body, are entitled to perform statutory audit work on foot of individual Ministerial authorisations granted prior to 3 February, 1983 and having been registered under the provisions of section 199(3) of the 1990 Act. By virtue of such authorisations, those persons are, following the enactment and commencement of the Act, deemed to be authorised to act in that capacity by the Authority. In accordance with the provisions of section 199(3A) of the 1990 Act, these individuals (referred to as Individually Authorised Auditors) are required to notify the Registrar of Companies at least once in each year that they are continuing to act as an auditor. Table F.1 below provides details of individually authorised auditors as notified to the Companies Registration Office (CRO) during 2007.

Table F.1: List of Individually Authorised Auditors notified to the CRO during 2007

Sean Ardagh 168 Walkinstown Road Dublin 12	John Fahey 60 O'Connell Street Clonmel, Co. Tipperary	Michael Bernard Keogh 49 Killiney Towers Killiney, Co. Dublin	Vincent O'Connor 12 Brookville Gardens Clareview, Limerick
John Browne Leader House Dublin Road Longford	Patrick D. Finnegan 339 Meadowbrook Kilcoole Co. Wicklow	Robert McDonald ACC House Shop Street Tuam, Co. Galway	Joseph Pattison 1 Jacob Street Kilkenny
St. John J. Costello "Prospect" Castletroy Co. Limerick	Charles J. Flynn Redbrick House Fairyhouse Road Ratoath, Co. Meath	J. A. Mullins 12 Doneen Road Woodview Limerick City	Patrick J. Rocks 9/10 Park Street Monaghan
Stephen Cullinane Grealy & Co. Galway Retail Park Headford Road, Glaway	Patrick David Glynn Windemere Glendine Kilkenny	E.P. Murphy 3 Ballymace Green Templeogue Dublin 14	Michael Sheridan 3 Tramore Heights Tramore Co. Waterford
Gerard Joseph D'Arcy The Maples Drum Athlone, Co. Roscommon	John Hardiman The Manse Northgate Street Athlone, Co. Westmeath	Patrick J. Murphy "Cummeen" Strandhill Road Sligo	Lionel R. Steen 27 High Street Castlecomer Kilkenny
Mary Desmond Collins Red House Hill Patrickswell Co. Limerick	Leslie Vincent Hogan Monaleen Road Castletroy Limerick	Thomas O'Brien "Dunkerron" Leoville Dunmore Road, Waterford	Edward Thornley 100 Strand Road Sandymount Dublin 4
Cormac Gerard Duffy 44 Dominick Street Galway	John P. Keenan 25 St. Catherine's Park Glenageary Dun Laoghaire, Co. Dublin	Sean M. O'Carroll 53 Saran Wood Killarney Road Bray, Co. Wicklow	

Source: Companies Registration Office



Part G

Recognised Accountancy Bodies' Monitoring of Registered Auditors

As discussed in some detail in Chapter 3 of this Report, the Act confers upon the Authority a function of supervising how each recognised accountancy body monitors its members. Primary responsibility for the monitoring (i.e. quality assurance processes and monitoring of compliance with professional standards etc.) of members and member firms resides with the recognised accountancy bodies, under the Authority's supervision.

At this time, all of the recognised accountancy bodies have in place regimes for monitoring their members/member firms. In the case of several of the recognised bodies, this regime extends beyond audit into other areas of members' or member firms' activities such as for example, investment business activities. As this Part is concerned with the quality assurance system employed to assess those members who are registered auditors, information on other areas of members' activities such as investment business activity is not reported here.

Each body's quality assurance process is tailored to its specific requirements and elements thereof may include, for example, desk-top reviews of members' annual returns, desk-top reviews of members' individual client engagement files and/or periodic quality assurance visits to registered auditors' offices by quality assurance reviewers (who are, generally, employees of the recognised bodies).

The scope of quality assurance visits to members or member firms typically includes:

- an assessment of the member's or member firm's compliance with the body's bye-laws, regulations, professional standards and applicable law;
- an assessment of the member's or member firm's internal quality control procedures; and
- a substantive review of individual client engagement files for the purposes of assessing, *inter alia*, the level of adherence to auditing standards.

Each of the recognised bodies seeks to perform quality assurance reviews to members or member firms by reference to pre-set cycles. The length of cycles varies between the bodies and within bodies depending on the nature of members' or member firms' client bases (e.g. firms auditing listed clients or clients otherwise regulated would generally tend to be reviewed more frequently).

Table G.1: Registered Auditors – Overview of the Quality Assurance System of the Recognised Accountancy Bodies

Recognised Accountancy Body	Details of the Quality Assurance System
ACCA	<p>When a firm first obtains audit registration from ACCA it will receive a monitoring visit within four years of this first registration. Subsequent visits will be carried out within a six year cycle. ACCA uses risk factors to determine when a firm will be visited within a visit cycle. Risk factors taken into account include the outcome of the previous visit, the number and type of audit clients and the length of time since the last visit. Where ACCA finds that a firm still needs to make some improvements to its audit work it will be scheduled for a follow up visit within four years. Where the audit work is found to be seriously unsatisfactory the follow up visit will take place within two years or, if the findings are referred to an assessor or the Admissions and Licensing Committee, as the assessor or Committee directs.</p> <p>In accordance with ACCA's belief that the certainty of regular monitoring raises standards, all firms are monitored on a cyclical basis including those which do not carry out statutory audit work. However, firms which hold an auditing certificate but which do not hold any audit appointments are desk top monitored. All firms which hold a firm's auditing certificate from ACCA are subject to monitoring.</p> <p>The monitoring process focuses on a firm's compliance with its continuing obligations and the standard of its work. ACCA monitors compliance with its Global Practising Regulations (GPRs), which includes fitness and propriety, control of the firm and audit work, continuity arrangements, PII and CPD, and compliance with its Code of Ethics and Conduct (CEC), which includes independence, client money, money laundering, engagement letters. Where a firm has audit appointments, or carries out other regulatory work for which it is necessary to be a registered auditor, ACCA monitors the standard of the work and compliance with auditing standards and any other relevant guidance and legislation.</p>
ICAEW	<p>The default cycle for all ICAEW firms is 6 years, but certain firms (the top 20 firms and those middle-tier or smaller firms with listed clients) are visited annually or over a 3 year cycle. In addition: i) firms which have received a poor visit rating (D graded) should be</p>



Recognised
Accountancy
Body

Details of the Quality Assurance System

scheduled for a visit after 3 years; ii) firms that display specific risk indicators may be selected for earlier visits (most frequently this will be where there is a history of complaints raised against the firm) and iii) the Audit Registration Committee may request an early or follow-up visit for a particular firm. The 6 year cycle is driven by the EU Statutory Audit Directive.

The visit process has the objective of ensuring that the registered auditor complies with audit regulations including statutory requirements and auditing standards and allows a view to be formed on the quality of audit work carried out by the Registered Auditor. Substantive work including examination of books, records and client files is undertaken as are procedures covering ethics, acceptance and continuance and engagement performance as part of the individual client file review examinations which also test compliance with auditing standards and statutory and reporting requirements and where appropriate, the adequacy of the firms compliance review.

ICAI

ICAI's monitoring is the responsibility of the Chartered Accountants' Regulatory Board¹⁰⁴. The monitoring regime involves an annual inspection and risk assessment of all audit firms by way of a desk-top review of an extensive annual return submitted by the firms, and engagement with the firms to address any risks identified as part of the review. In addition, CARB will conduct on-site inspection visits to firms where specific risks have been identified.

In 2007 the CARB adopted a policy of risk based selection of firms for review and concentrated its inspections on firms auditing listed and other regulated entities. In 2008 the Board will commence a cyclical programme for the inspection of auditors in accordance with the provisions of the revised 8th Company Law Directive.

Quality assurance reviews to audit firms are conducted in accordance with the provisions of the Audit Regulations and Guidance. The scope of the quality assurance review includes an assessment of the firms' compliance with the relevant rules and regulations including

¹⁰⁴ The Chartered Accountants' Regulatory Board is a Board established by the Institute of Chartered Accountants in Ireland for the purpose of regulating the Institute's members.

Recognised
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Details of the Quality Assurance System

applicable auditing and accounting standards and quality control standards. This is accomplished by way of a review of the overall compliance of the firm on matters such as independence, fit and proper, confidentiality, competence etc. and by a credibility review of the financial statements of audit clients and a substantive review of engagement files.

ICAS

In line with the EU 8th directive and IFAC's Statement of Membership Obligation 1 'Quality Assurance', the aim is to visit all firms at least once every six years and for firms auditing listed companies at least once every three years in conjunction with the Audit Inspections Unit (AIU), although the nine largest firms in the UK require to be visited every 12-18 months (of which ICAS registers one firm). Within the cycle, most visits are selected on a risk basis, as explained below. Therefore, ICAS uses a combined cyclical and risk based visit approach.

The majority of visits are selected based on risk, which is carried out via checks on the Annual Return completed by each firm against an extensive number of risk criteria. Resulting risk reports together with other information about firms, such as press cuttings, disciplinary findings or other company search information are then considered by the head of unit who will then determine which firms will require a visit. While most firms are prioritised for a visit on the basis of this risk selection process, there are other reasons for selecting a visit such as firms which audit listed company, receipt of complaints etc. Firms may also receive follow up visits as a result of previous visit findings, the focus being to test that the required improvements have been made since the previous visit.

The review team will select audit engagement files for review and commence with a credibility review to identify the key financial reporting and audit issues for that particular client and to provide the focus and direction for the file review. Following the credibility review for each audit file, Audit Monitoring will then review each audit file in detail against the Institutes Audit Regulations; the International Standards on Auditing (ISAs) and the applicable statutory and financial reporting standards (including FRSs or IFRSs). Following completion of file reviews, the adequacy of the firm's audit policies and procedures (e.g. fit and proper, independence and confidentiality procedures, appraisal procedures, CPD) is checked, as well as the firm's own internal monitoring system to ensure that these are effective and comply with the Audit Regulations, APB Ethical Standards and with ISQC1.



Recognised
Accountancy
Body

Details of the Quality Assurance System

ICPAI

The Institute has a 6 year cycle for monitoring. Some risk based criteria are used for selection, but all firms are selected for review during the cycle. If a firm does not achieve a satisfactory grade on a visit then follow up action is taken. Such follow-up action can take the form of a follow up onsite visit or a desk based file review. A firm remains in the cycle until they achieve a satisfactory grade. All new audit firms authorised receive a monitoring visit in the first year of operation. The annual monitoring plan is set once a year and includes both field monitoring visits and desk based reviews.

Internal control procedures are examined for compliance with CPA regulations and international standards. A cross section of current engagement files are reviewed for compliance with financial reporting, accounting, auditing and ethical standards, legal requirements and compliance with taxation regulations.

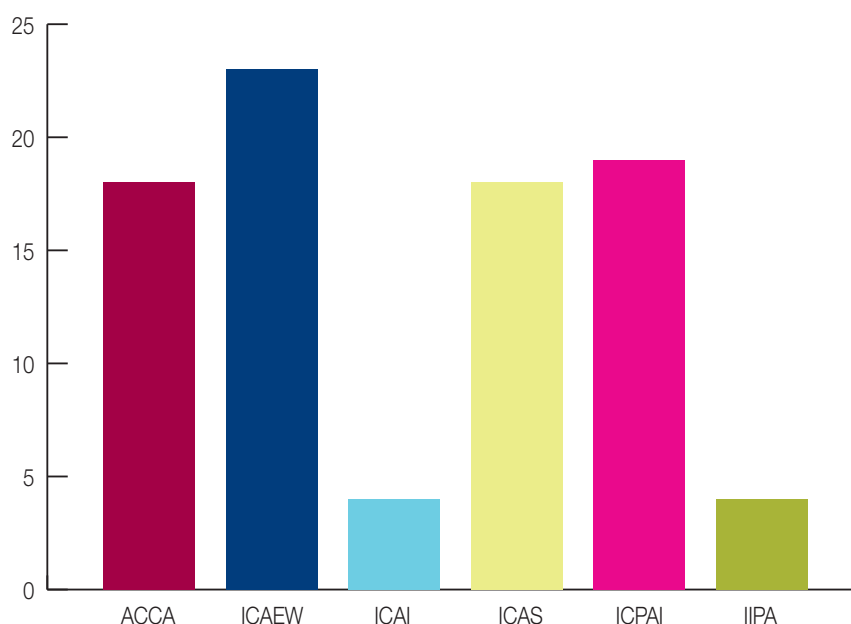
IIPA

IIPA has two cycles in operation, comprising three years and five years. In January of each year, the Monitoring Committee meets to establish the number of visits to be carried out in the said year. Some visits will be based on random selection and others will be targeted based on risk assessment. Risk assessment entails such files as follows – Insurance Brokers, Investment Companies, Credit Unions, Solicitors, Co-operatives and any other such categories that have public dealings and that handle client funds on their behalf. Having carried out the assessment, this in turn helps determine the number of monitoring visits for the year. It will also determine the cycle that applies to each member. Those members in the risk category will be visited every 3 years, while all other members will be subject to a five year cycle unless their circumstances change.

Table G.2: Registered Auditors - Quality assurance reviews - summary of activities

Year to 31 December, 2007	Recognised Accountancy Bodies					
	ACCA	ICAEW ¹⁰⁵	ICAI	ICAS	ICPAI	IIPA
Number of quality assurance reviews open at 1 January, 2007	6	98	16	1	46	0
Add: Quality assurance on-site visits carried out during 2007	98	1,029	43	41	66	5
Less: Quality assurance reviews concluded during 2007	(93)	(975)	(42)	(42)	(78)	(5)
Quality assurance reviews open at 31 December, 2007	11	152	17	0	34	0

Chart G.1: % of on-site visits by total number of registered auditors



¹⁰⁵ ICAEW audit registration allows the audit firm to audit in both the UK and Ireland, unless the firm is a corporate body in which case its registration does not extend to audits in Ireland (as S. 187 of the 1990 Act prohibits corporate bodies from appointment as auditors). ICAEW have not sought to remove statistics relating to corporate firms who cannot undertake audits in Ireland. Therefore, the figures in this Part include quality assurance activity relating to some of the 1,372 corporate audit firms who cannot undertake audits in Ireland.



Table G.3: Quality assurance on-site visits during 2007

	Recognised Accountancy Bodies					
Year to 31 December, 2007	ACCA	ICAEW ¹⁰⁵	ICAI	ICAS	ICPAI	IIPA
At 1 January, the number of expected quality assurance visits to be undertaken in the year	128	920	50	40	75	10
Number of quality assurance visits actually undertaken in the year	98	1,029	43	41	66	5
Analysis of the reasons for each visit:						
Number of members/firms selected for a visit as part of normal cycle (randomly/routinely)	53	960	9	0	41	2
Number of members/firms specifically selected and visited due to heightened risk (excluding early follow-ups)	0	48	24	38	2	1
Number of members/firms that were visited following a referral from a committee	19	21	6	0	4	0
Number visited as re-review/early follow-up	26	0	2	0	19	2
Other reason	0	0	2	3	0	0
Analysis of members/firms visited by size						
1 principal	65	577	22	20	55	4
2-5 principals	33	373	18	17	11	1
6-10 principals	0	42	1	2	0	0
11-25 principals	0	19	0	1	0	0
26-50 principals	0	6	2	0	0	0
More than 50 principals	0	12	0	1	0	0

Table G.4: Registered Auditors - Staff involved in quality assurance

	Recognised Accountancy Bodies					
Year to 31 December, 2007	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Number of whole-time equivalent staff involved in quality assurance of registered auditors	11	53.4	13.5	2	4	-
Number of whole-time equivalent staff performing quality assurance on-site visits to registered auditors	7	35.8	7.5	2	2	¹⁰⁶

¹⁰⁶ IIPA utilises the services of up to 4 individuals to perform the quality assurance visit function as required.

Table G.5. Registered Auditors – Outcome of Quality Assurance Visits - Grades

Grades Awarded	Recognised Accountancy Bodies					
	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6

Note 1: ACCA Grades awarded

This table shows the reasons for, and outcomes of, quality assurance visits carried out by ACCA to firms holding a firms auditing certificate valid in Ireland during 2007.

Visit reason	A/B	C+	C-	D	Total
New/Routine	27 ¹	14	4	2	47
Early follow-up (4 years)	8	3	-	3	14
Early follow-up (2 years)	8	2	-	4	14
Investigative	-	-	-	-	-
Committee ordered visit	12	-	-	6	18
Total	55	19	4	15	93

¹ – one of these firms had no audit clients

Key to grades awarded:

A/B: Satisfactory/Acceptable;

C+: Unsatisfactory & improvements required;

C-:Unsatisfactory & significant improvements required;

D: Referral to Committee (regulatory/disciplinary action).

Note 2: ICAEW Grades awarded

Grade	No.
A: No instances of non-compliance or other matters requiring follow-up action.	123
B: Some instances of non-compliance or other matters but the firm's responses adequately address the matters raised and no follow-up action required.	459
C: Some instances of non-compliance or other significant issues and additional detail or evidence of the firm's actions as agreed in its closing meeting required.	283
D: Instances of non-compliance and other significant matters warranting a detailed report to allow the committee to consider the imposition of conditions or restrictions or both.	6
D4: No conditions or restrictions are proposed but the committee may wish to impose regulatory penalties or refer to investigations.	7



Grade	No.
D3: The 'Quality Assurance Directorate' is recommending conditions be imposed, for which the firm has not volunteered, but are likely to lead to the necessary improvements once imposed.	23
D2: Serious or extensive non-compliance and the firm's responses inadequate. Stringent conditions and restrictions likely to be recommended, to provide a strong framework to monitor the firm's actions. The committee may warn that it considered withdrawing the firm's audit registration.	45
D1: The 'Quality Assurance Directorate' recommends that the firm's audit registration should be withdrawn.	29
Total	975

Note 3: ICAI Grades awarded

Grade	No.
A: No breaches recorded and no regulatory action required.	-
B: Breaches noted but firm has undertaken to address all issues arising and no follow-up action is required.	10
C: Breaches noted and the firm has undertaken to take actions that address the issues raised, and follow-up is required.	17
D3: Condition or restriction to be imposed, but loss of registration or authorisation not being proposed	8
D2: Serious integrity concerns, flagrant breaches, lack of commitment, progress, competence or failure to comply with previous conditions/restrictions. The Quality Review Committee will be 'minded to withdraw' authorisation or registration. However, it may be possible for the problems to be corrected.	3
D1: Serious integrity concerns, flagrant breaches, lack of commitment, progress, competence or failure to comply with previous conditions/restrictions. Loss of registration or authorisation is proposed.	4
Total	42

Note 4: ICAS Grades awarded

Grade	No.
A: No instances of non-compliance with the Audit Regulations identified	2
B: Instances of non-compliance with the Audit Regulations noted, but they have been adequately addressed by the firm's closing meeting responses	21
C: Instances of non-compliance with the Audit Regulations noted, with a need for follow-up action, normally in the form of the firm providing evidence of its follow up action	13
D: Instances of non-compliance with the Audit Regulations noted and regulatory action is proposed	6
Total	42



Note 5: ICPAI Grades awarded¹⁰⁷

Type of review	A	B	C	D	N/A	Total
Normal review	13	24	6	0	-	43
Re-review	1	7	6	5	-	19
Committee referral	-	-	-	-	4	4
Total	14	31	12	5	4	66

Explanation of Grades

- A No follow up action necessary
- B Some follow up required to address particular area of weakness
- C Full re-review required, significant areas of weakness or problems
- D Immediate referral to Director of Professional Standards or Investigation Committee

Note 6: IIPA Grades awarded

Grade	No.
A: No follow up action required or recommendations to be made.	-
B: No follow up action required but minor recommendations for improvement.	4
C: List of recommendations for improvement and implementation of recommendations to be monitored by reviewer without recourse to re-review.	-
D: List of recommendations for improvement and implementation of recommendations to be monitored by full re-review of firm within 12 months.	-
E: List of recommendations for improvement and agreed plan of action between firm and Institute to implement a plan. Firm to be subjected to ongoing monitoring until improvements are implemented.	-
F: Referral of matters to Council with recommendation for action to be taken by Council to address the gross deficiencies identified.	-
Outstanding	1
Total	5


¹⁰⁷ This table shows the grades awarded by the ICPAI for the visits conducted during 2007, rather than the visits concluded. For further reference, see Table G.2



Table G.6: Registered Auditors – Outcome of Quality Assurance Visits – Actions

Year to 31 December, 2007	Recognised Accountancy Bodies					
	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Number who have had their audit registration withdrawn as a result of the findings of a quality assurance review	2	26	4	0	1	0
Number who have had their audit registration suspended as a result of the findings of a quality assurance review	0	0	6	2	4	0
Number referred to an investigations & disciplinary process	0	49	7	0	4	0
Number who have had a follow up on site visit imposed	10	4	3	2	3	2
Number who have hot file reviews imposed	10	40	7	7	1	0
Number who have cold file reviews imposed	0	15	7	18	0	0
Number who have had monetary penalties imposed	0	25	0	0	0	0
Number who have had a desk-top review of client files imposed	0	0	N/A	0	1	0
Number directed to address CPD/training matters	0	24	8	9	0	0
Number directed not to accept further audit appointments	0	41	0	4	4	0
Number directed to resign from a client	0	0	5	0	0	0
Number of other conditions/restrictions	3	109 ¹⁰⁸	1	6	0	0

¹⁰⁸ Such conditions/restrictions include a requirement not to undertake file reviews for other firms and a requirement to submit an annual compliance review. Also included here are restrictions associated with hot file review conditions imposed. Hot file review conditions are listed separately in the table.



Financial statements & related statements



Report of the Directors

Introduction

The directors are pleased to submit to the second Annual General Meeting of Irish Auditing and Accounting Supervisory Authority (The Authority/'IAASA') the Authority's financial statements for the period ended 31 December, 2007, together with the Report of the Directors, which has been prepared pursuant to the provisions of section 158 of the Companies Act, 1963 (as amended). The retained surplus for the year was nil.

Directors and Secretary

The Directors and Secretary of the Authority, as at 31 December, 2007, were:

Ms. Karen Erwin
Chairperson, Ministerial nominee

Mr. Ian Drennan
Chief Executive, IAASA

Mr. Paul Appleby
Director of Corporate Enforcement

Ms. Helene Coffey
Nominee of the Law Society

Ms. Marie Daly
Nominee of the Irish Business and Employers' Confederation

Mr. Michael Deasy
Nominee of the Financial Regulator

Mr. Sean Hawkshaw
Nominee of the Irish Association of Investment Managers

Mr. Pat A. Houlihan
Civil Servant, Ministerial nominee

Mr. Jim Kelly
Nominee of the Revenue Commissioners

Mr. Tony Kelly
Nominee of the Prescribed Accountancy Bodies

Mr. Brendan Kennedy*
Nominee of the Pensions Board

Mr. David Martin
Nominee of the Prescribed Accountancy Bodies

Mr. Donal O'Connor
Nominee of the Prescribed Accountancy Bodies

Senator Joe O'Toole
Nominee of the Irish Congress of Trade Unions

Mr. Gerard Scully#
Nominee of the Irish Stock Exchange

Secretary

Ms Jane Meehan, Head of Legal Services, IAASA

* Mr. Kennedy was appointed to the Board by the Minister on the nomination of the Pensions Board following the resignation from the Board of Ms. Anne Maher.

Mr. Scully was appointed to the Board by the Minister on the nomination of the Irish Stock Exchange following the resignation from the Board of Mr. Tom Healy.

Principal activity

IAASA was incorporated as a company limited by guarantee on 20 December 2005 for the purpose of discharging the functions and exercising the powers of the Irish Auditing and Accounting Supervisory Authority as provided for by the Companies (Auditing and Accounting) Act, 2003. It was subsequently designated for that purpose by the Minister for Trade & Commerce pursuant to the provisions of section 5 of that Act.



IAASA does not trade for the acquisition of gain by its members and there were no material changes to the nature of its activities during the period.

Risk and uncertainties

The directors confirm that, as required by the Code of Practice for the Governance of State Bodies, a policy and procedures have been developed by the company for the purpose of facilitating the identification, quantification and management of the key business risks facing the Authority and that the aforementioned policy and procedures have been adopted by the Board.

Compliance with Section 90 of the Company Law Enforcement Act, 2001

To ensure that proper books and accounting records are maintained in accordance with the requirements of section 202 of the Companies Act, 1990, the

Authority has employed an appropriately qualified Head of Finance and utilises appropriate computer software. The books of account are located at the Authority's registered office at Willow House, Millennium Park, Naas, Co. Kildare.

Post Balance Sheet Events

No events have occurred subsequent to the balance sheet date which require disclosure in the financial statements.

Auditor

The Authority's auditor, the Comptroller & Auditor General, remains in office in accordance with the provisions of section 21(2) of the Companies (Auditing and Accounting) Act, 2003.

Approved by the Board of Directors on 15 April, 2008 and signed on its behalf by:

Karen Erwin
Chairperson

Ian Drennan
Chief Executive

Donal O'Connor
Chairperson, Audit Committee



Report of the Comptroller and Auditor General for presentation to the Houses of the Oireachtas

I have audited the financial statements of the Irish Auditing and Accounting Supervisory Authority for the year ended 31 December 2007 under the Companies (Auditing and Accounting) Act, 2003.

The financial statements, which have been prepared under the accounting policies set out therein, comprise the Statement of Accounting Policies, the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes.

Respective Responsibilities of the Directors and the Comptroller and Auditor General

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and Generally Accepted Accounting Practice in Ireland are set out in the Statement of Directors' Responsibilities. The Directors are also responsible for ensuring the regularity of transactions.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report my opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland and are properly prepared in accordance with the Companies Acts 1963 to 2006. I also report

whether in my opinion proper books of account have been kept by the Company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, I state whether I have obtained all the information and explanations necessary for the purposes of my audit, and whether the financial statements are in agreement with the books of account.

I report any material instance where moneys have not been applied for the purposes intended or where the transactions do not conform to the authorities governing them.

I review whether the Statement on Internal Financial Control reflects the Company's compliance with the Code of Practice for the Governance of State Bodies and report any material instance where it does not do so, or if the statement is misleading or inconsistent with other information of which I am aware from my audit of the financial statements. I am not required to consider whether the Statement on Internal Financial Control covers all financial risks and controls, or to form an opinion on the effectiveness of the risk and control procedures.

I read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements, I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements.



Basis of audit opinion

In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and by reference to the special considerations in relation to management and operations which attach to bodies in receipt of substantial funding from the State. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion, the financial statements:

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Company's affairs at 31 December 2007 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Companies Acts 1963 to 2006.

I have obtained all the information and explanations that I consider necessary for the purpose of my audit. In my opinion proper books of account have been kept by the Company. The financial statements are in agreement with the books of account.

In my opinion, the information given in the Directors' Report is consistent with the financial statements.

Gerard Smyth
For and on behalf of the
Comptroller and Auditor General
25 April 2008

Statement of Directors' Responsibilities

Pursuant to the provisions of section 5 of the Companies (Auditing and Accounting) Act, 2003, the Irish Auditing and Accounting Supervisory Authority 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 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 and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Authority 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 the Authority and to enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2006. The Directors are also responsible for safeguarding the assets of the Authority and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Section 21(1) of the Companies (Auditing and Accounting) Act, 2003 further provides that the Authority '*...shall keep records of, and prepare all proper and usual accounts of-*

(a) all income received by it, including the sources,

(b) all expenditure incurred by it, and

(c) its assets and liabilities'.

Approved by the Board of Directors on 15 April, 2008 and signed on its behalf by:

Karen Erwin
Chairperson

Ian Drennan
Chief Executive

Donal O'Connor
Chairperson, Audit Committee



Statement on the System of Internal Financial Control

Responsibility for system of internal financial control

On behalf of the Board of Directors of the Irish Auditing & Accounting Supervisory Authority 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 the Authority 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 the Authority;

- publishing Codes of Conduct for both directors and employees of the Authority; and
- seeking to develop and instil a strong culture of accountability across the organisation.

The Board has also established processes to identify and evaluate business risks by:

- identifying the nature, extent and possible implications of the risks facing the Authority, 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;
- 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 the Authority, 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.

The Authority has appointed Deloitte to act as internal auditors and to report to the Audit Committee. The Audit Committee, which comprises 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 the Framework Code of Best Practice set out in the Code of Practice for the Governance of State Bodies. 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 Deloitte. It is envisaged that the internal auditor will provide the Committee with regular reports on assignments carried out. These reports will, *inter alia*, 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, 2007, 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 the Authority's Executive who have responsibility for the development and maintenance of the financial control framework.

Signed on behalf of the Board:

Karen Erwin,
Chairperson



Statement of Accounting Policies

for the period ended 31 December, 2007

The significant accounting policies adopted by the Authority, which have been applied consistently in dealing with items considered material, are as set out hereunder.

1. Basis of Preparation

The financial statements are prepared in accordance with generally accepted accounting principles under the historical cost convention. Accounting Standards issued by the Accounting Standards Board for use in Ireland are adopted as they become effective.

2. Currency

The unit of currency in which the financial statements are denominated is the Euro (€).

3. Recurrent Income

3.1 Approved Programme of Expenditure for the period

Details of the Authority's approved Programme of Expenditure for the period are set out in Note 4.

3.2 Excess Income

In accordance with the provisions of section 16 of the Companies (Auditing and Accounting) Act, 2003 ('the Act'), any excess of income over expenditure in any financial period shall be applied towards meeting the Authority's Programme of Expenditure in the

following period and any amounts payable from the Exchequer and Prescribed Accountancy Bodies respectively shall be appropriately reduced. In accordance with section 16 of the Act, income set aside for Reserve Fund purposes is not, however, considered to be income for this purpose.

3.3 Exchequer Grant Income

Section 14(1) of the Act provides that a grant not exceeding 40% of the Authority's approved Programme of Expenditure for the period shall, subject to any conditions thought proper by the Minister for Trade & Commerce ('the Minister'), be paid to the Authority out of monies provided by the Oireachtas.

Further to the foregoing, the Department of Enterprise, Trade & Employment - the Department through which the Authority receives the Exchequer element of its recurrent funding - has stipulated that the Exchequer grant that will be paid to the Authority in any given financial period will be such as to meet 40% of the Authority's expenditure in that period.

Accordingly, Exchequer grant income recognised in the Income & Expenditure Account represents the amount necessary to meet 40% of the Authority's net recurrent expenditure in the period. Any timing differences arising at the balance sheet date between 40% of the Authority's net expenditure in the period and amounts received from the Exchequer (via the Department) are, therefore, reflected as a debtor or grant income carried

forward to the following period in accordance with the provisions of section 16 of the Act, as appropriate.

3.4 Prescribed Accountancy Bodies' Levies

Sections 14(2) and (4) of the Act provide that, in any given period and with the consent of the Minister, the Authority may impose one or more levies on the prescribed accountancy bodies for the purpose of meeting up to 60% of the Authority's approved Programme of Expenditure. The aggregate of the prescribed accountancy bodies' levies are apportioned on the basis of criteria submitted to, and approved by, the Minister under section 14(4) of the Act.

Given that, once approved by the Minister, statutory levies imposed on, and receivable from, the prescribed accountancy bodies are designed to meet 60% of the Authority's expenditure in the period, Prescribed Accountancy Body levy income recognised in the Income & Expenditure Account represents the amount necessary to meet 60% of the Authority's net recurrent expenditure in the period. Accordingly, any differences arising at the balance sheet date between 60% of the Authority's net administrative expenditure in the period and the aggregate of levies received from the Prescribed Accountancy Bodies are reflected as debtors or levy income carried forward to the following period in accordance with the provisions of section 16 of the Act, as appropriate.

4. Reserve Fund Income

4.1 Reserve Fund – Purpose and method of funding

Section 15(1) of the Act provides that the Authority shall establish a Reserve Fund, to be used only for the purposes of performing its functions or exercising its powers under sections 24 and 26.

With the consent of the Minister, the Authority has built a Reserve Fund of €250,000; €170,000 of that sum having been collected and set aside for Reserve Fund purposes during the period ending 31 December, 2006, the balance in the year ended 31 December, 2007. Pursuant to the provisions of section 15(1)(b) of the Act, the Reserve Fund is funded as follows:

- 60% by way of a Reserve Fund levy on the Prescribed Accountancy Bodies; and
- 40% by way of an Exchequer Grant.

4.2 Exchequer Grant Income – Reserve Fund

The Department has stipulated that the Exchequer grant that will be paid to the Authority in any given financial period will be such as to meet 40% of the amount to be set aside for Reserve Fund purposes in that period, as approved by the Minister.

Exchequer Reserve Fund income is accounted for in the financial statements on a receivable basis.

4.3. Prescribed Accountancy Bodies' Levies – Reserve Fund

The aggregate of the prescribed accountancy



bodies' Reserve Fund levies are apportioned on the basis of criteria submitted to, and approved by, the Minister under section 14 of the Act. Once approved by the Minister, the Prescribed Accountancy Bodies' Reserve Fund levies are accounted for on a receivable basis.

5. Income relating to the Authority's role as a Competent Authority for the purpose of Article 24(4)(h) of the EU Transparency Directive

5.1 Transparency Directive – Purpose and method of funding

The Transparency Directive ((EC) 2004/109) 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. The Directive has been implemented in Ireland through a combination of primary¹ and secondary² legislation. IAASA has been designated by the Minister as a competent authority for the purposes of Article 24(4)(h) of the Directive, which concerns monitoring the compliance of issuers' periodic financial reports.

5.2 Exchequer Grant Income – Transparency Directive

Exchequer funding to a maximum of €160,000 [2006: €0] was made available (via the Department's

Vote Subhead S02) to enable the Authority to discharge its responsibilities in this regard. As is the case with the Authority's other sources of Exchequer income, the amount provided is such as to meet the amount expended in the period. Transparency Directive income is accounted for in the financial statements on a receivable basis.

6. Lease on Authority premises

Rents due under the lease are paid to the lessor by the OPW and are recouped from the Authority on a quarterly basis by agreement. Rents are charged to the Income & Expenditure Account in the period to which they relate.

7. Superannuation

The interim arrangements that the Authority has in place with regard to employees' superannuation benefits are described in Note 20. On foot of those arrangements, the Authority charges employer superannuation contributions payable to the Department to the Income & Expenditure Account in the period to which they relate.

¹ The Investment Funds, Companies and Miscellaneous Provisions Act, 2006

² Statutory Instrument SI 277 of 2007 - Transparency (Directive 2004/109/EC) Regulations 2007

8. Tangible Fixed Assets

Tangible Fixed Assets are carried in the balance sheet at cost less accumulated depreciation.

Depreciation is charged to the Income & Expenditure Account on a straight line basis, with the charge being calculated over assets' expected useful lives at the following rates:

IT Equipment	33 $\frac{1}{3}$ %
Office Equipment	20%
Furniture & Fittings	12 $\frac{1}{2}$ %

9. Stocks

Stocks on hand at period end represent stocks of I.T. and office consumables and are valued at the lesser of cost or net realisable value.

10. Capital Account

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



Income & Expenditure Account for the year ended 31 December, 2007

		2007	2006
	Note	€	€
Income	4	1,655,813	1,537,859
Administrative Expenses			
Staff Costs	5	860,229	707,252
Directors' Fees		104,000	113,096
Accommodation	6	177,849	198,757
Travel & Subsistence		61,618	65,826
Consultancy	7	142,737	133,131
Office Expenses	8	119,898	84,044
Official Entertainment		2,624	2,663
Information Technology	9	32,929	16,637
HR & Professional Development	10	29,858	14,193
Insurance		29,435	20,018
Auditors' Remuneration		12,000	14,700
Depreciation	11	4,442	1,348
		<hr/>	<hr/>
		78,194	166,194
Interest Receivable		19,126	10,970
Surplus for the year before Deposit Interest Retention Tax		<hr/>	<hr/>
		97,320	177,164
Deposit Interest Retention Tax	12	(5,361)	(2,488)
Surplus for the year after Deposit Interest Retention Tax		<hr/>	<hr/>
		91,959	174,676
Transferred to Capital Account	15	(5,818)	(3,501)
Transferred to Reserve Fund	16	(86,141)	(171,175)
Surplus for the year after Transfers		<hr/>	<hr/>
		0	0

The results for the year relate to continuing operations.

The Statement of Accounting Policies, Cash Flow Statement and Notes 1 to 22 form part of these financial statements.

The Authority had no gains or losses in the period other than those dealt with in the Income & Expenditure Account.

Approved by the Board of Directors on 15 April, 2008 and signed on its behalf by:

Karen Erwin
Chairperson

Ian Drennan
Chief Executive

Donal O'Connor
Chairperson, Audit Committee



Balance Sheet as at 31 December, 2007

		Note	2007 €	2006 €
Fixed Assets	Tangible Fixed Assets	11	9,319	3,501
Current Assets	Stock on Hand		3,565	4,907
	Exchequer Grant Income Debtor	4.5	80,434	47,903
	Debtors & Prepayments		20,081	34,696
	Bank & Cash	13	716,778	701,401
			<u>820,858</u>	<u>788,907</u>
Creditors: Amounts falling due within 1 year				
	Creditors & Accruals		94,082	132,633
	Deferred Rent Incentive	14	1,452	1,452
	PAB Levy Income Carried Forward	4.5	443,260	457,447
			<u>538,794</u>	<u>591,532</u>
Net Current Assets			282,064	197,375
Amounts falling due after 1 year				
	Deferred Rent Incentive	14	24,748	26,200
Net Assets			<u><u>266,635</u></u>	<u><u>174,676</u></u>
Reserves	Income & Expenditure Account		0	0
	Capital Account	15	9,319	3,501
	Reserve Fund	16	257,316	171,175
			<u><u>266,635</u></u>	<u><u>174,676</u></u>

The Statement of Accounting Policies, Cash Flow Statement and Notes 1 to 22 form part of these financial statements.

Approved by the Board of Directors on 15 April, 2008 and signed on its behalf by:

Karen Erwin
Chairperson

Ian Drennan
Chief Executive

Donal O'Connor
Chairperson, Audit Committee



Cash Flow Statement for the year ended 31 December, 2007

		2007	2006
	Note	€	€
Net Cash Inflow from Operating Activities	17	6,056	697,172
Return on Investments & Servicing of Finance			
Interest Received		24,477	11,348
Capital Expenditure			
Payments to Acquire Tangible Fixed Assets		(10,260)	(4,849)
Taxation			
Deposit Interest Retention Tax (DIRT) Paid		(4,895)	(2,270)
Management of Liquid Resources			
Amounts Transferred to Fixed Term Deposits		(30,000)	(570,000)
Interest Reinvested in			
Fixed Term Deposits (Net of DIRT)		(19,582)	(9,079)
(Decrease) / Increase in Cash		(34,204)	122,322
Reconciliation of Net Cash Flow to			
Movement in Net Funds			
(Decrease)/Increase in Cash in Period	18	(34,204)	122,322
		(34,204)	122,322

The Statement of Accounting Policies and Notes 1 to 22 form part of these financial statements.

Approved by the Board of Directors on 15 April, 2008 and signed on its behalf by:

Karen Erwin
Chairperson

Ian Drennan
Chief Executive

Donal O'Connor
Chairperson, Audit Committee



Notes to Financial Statements

Note 1 - Accounting year

Pursuant to the provisions of section 5 of the Companies (Auditing and Accounting) Act, 2003 ('the Act'), the functions and powers of the Supervisory Authority are performed and exercised respectively through a company limited by guarantee and designated by the Minister for Trade & Commerce ('the Minister') for that purpose. The company (Registered No. 412677) was incorporated on 20 December, 2005. (While the Act refers to the Minister for Enterprise, Trade & Employment, the Government has delegated all Ministerial functions provided for by the Act to the Minister for Trade & Commerce. This delegation was effected by the Enterprise Trade & Employment (Delegation of Ministerial Functions) (No. 2) Order 2007).

The period covered by the financial statements is the year ended 31 December, 2007

Note 2 - Comparatives

The comparative figures refer to the period from the date of incorporation (20 December, 2005) to 31 December, 2006. Adjustments have also been made to the comparators as detailed in notes 7 & 8 below.

Note 3 - Format of the financial statements

As the company does not trade for the acquisition of gain by its members, the provisions of the Companies (Amendment) Act, 1986 as regards, *inter alia*, required formats for financial statements do not apply to the company. Notwithstanding the foregoing, the Authority's Balance Sheet is presented in accordance with Format 1 as set out in the Schedule to the Act and the Income & Expenditure Account is presented, to the extent practicable having regard to the non-commercial nature of the Authority's activities, in accordance with Format 1 as set out in the Schedule to the Act.

Note 4 - Income

4.1 Approved Programme of Expenditure

The Authority's Programme of Expenditure for the year, as approved by the Minister under section 13(4) of the Act was €2,353,000 [2006: €2,297,500] as laid out below. In addition, Exchequer funding to a maximum of €160,000 [2006: nil] was made available during the year in respect of the Authority's functions under Article 24(4)(h) of the EU Directive 2004/109/EC - ('Transparency Directive')



	Exchequer (40%)	Accountancy Bodies (60%)	Total
	€	€	€
Recurrent Expenditure (as approved under S. 13(4) of the Act)	909,000	1,364,000	2,273,000
Reserve Fund	32,000	48,000	80,000
Sub-total	941,000	1,412,000	2,353,000
Approved allocation in respect of Transparency Directive	160,000	0	160,000
Total	1,101,000	1,412,000	2,513,000

4.2 Income (Accounting Policies 3, 4 and 5 refer)	2007	2006
	€	€
<i>Recurrent Income under the Act (Note 4.4)</i>		
Exchequer Grant Income	612,858	546,035
Prescribed Accountancy Bodies' Levies	919,287	819,053
	1,532,145	1,365,088
<i>Reserve Fund Income</i>		
Exchequer Grant Income	32,000	68,000
Prescribed Accountancy Bodies' Levies	48,000	102,000
Interest Receivable on Reserve Fund Monies (Gross)	7,677	1,469
	87,677	171,469
<i>Income in respect of Transparency Directive Activity (Note 4.4)</i>		
Exchequer Grant Income	34,068	0
Prescribed Accountancy Bodies' Levies	0	0
	34,068	0
<i>Miscellaneous Income</i>		
EU Refunds in respect of travel expenses	1,923	987
Miscellaneous Receipts	0	315
	1,923	1,302
	1,655,813	1,537,859

4.3 Stipulations regarding the use of income

In accordance with section 14(3) of the Act, recurrent income received by the Authority is for the purpose of meeting expenses properly incurred in the performance of its functions and the exercise of its powers under the Act (other than under sections 24 and 26).

In accordance with section 14(3)(a), Reserve Fund monies may only be used for the purposes of meeting expenses properly incurred by the Authority in performing its functions and exercising its powers under sections 24 and 26. The Authority did not have cause to call upon the monies set aside for Reserve Fund purposes during the year.

In accordance with Department of Enterprise, Trade & Employment sanction (under Vote Subhead S02), monies received in respect of the Transparency Directive may only be used towards the performance of the Authority's responsibilities in that regard.

4.4 - Calculation of Net Expenditure

	2007	2006
	€	€
Gross Expenditure <i>per Income & Expenditure Account</i>	1,577,619	1,371,665
Add: Unamortised value of income used for capital acquisitions	5,818	3,501
	1,583,437	1,375,166
Less: Miscellaneous Income	(1,923)	(1,302)
Non-reserve fund interest (net of DIRT)	(15,301)	(8,776)
Net Expenditure for the year	1,566,213	1,365,088
Net Expenditure related to Transparency Directive obligations	34,068	-
Net Expenditure related to Activities under the 2003 Act (Note 4.2)	1,532,145	1,365,088
	1,566,213	1,365,088
Net expenditure attributable to the Exchequer		
i. Transparency Directive (100%)	34,068	-
ii. Obligations under the Act (40%)	612,858	546,035
Net expenditure attributable to the Prescribed Accountancy Bodies	919,287	819,053
	1,566,213	1,365,088



4.5 - Calculation of Grant Debtor / Levy Carry Forward

	Exchequer	Prescribed Accountancy Bodies	TOTAL
	€	€	€
Balance at 1 January, 2007	47,903	(457,447)	(409,544)
Attributable net expenditure (<i>Note 4.4 refers</i>)	646,926	919,287	1,566,213
Grants/Levies received in the year	(614,395)	(905,100)	(1,519,495)
Debtor/(Levy Carry Forward) at 31 December, 2007	80,434	(443,260)	(362,826)

Note 5 - Staff Costs	2007	2006
	€	€
Salaries	644,204	528,899
Employer PRSI Contributions	63,139	50,824
Employer Pension Contributions (<i>Note 20</i>)	131,819	104,442
Agency Fees - Temporary clerical staff	21,067	23,087
	860,229	707,252

The average number of employees during the year was 8 [2006: 6].

The Authority's complement of full time staff at 31 December, 2007 was 9 [2006: 7].

Note 6 - Accommodation	2007	2006
	€	€
Rent (<i>Note 14</i>)	116,223	127,449
Building Service Charges	19,798	18,617
Millennium Park Service Charges	8,703	12,337
Insurance	2,809	3,513
Rates	17,969	17,314
Rent - Temporary Office Accommodation	0	7,392
Other Room Hire	12,347	12,135
	177,849	198,757

Note 7 - Consultancy	2007	2006
	€	€
Legal Advice	108,810	82,032
Recruitment & recruitment related costs	(6,111)	26,156
Research & Media Monitoring	0	15,868
PR Consultancy	1,815	3,630
Professional Services re: Recognition application	0	5,445
Trade Mark Services	3,694	0
Internal Audit & Actuarial Services	32,819	0
HR Advice	1,710	0
	142,737	133,131

The aggregate paid to consultants in respect of recruitment advertising costs in 2006 (totalling €32,897) was disclosed in the financial statements within *Recruitment & recruitment related costs*. Comparable expenditure totalling €24,950 was borne directly by IAASA in 2007, and has been included as *Recruitment related advertising* - Note 8: Office Expenses refers. The 2006 comparative shown as *Recruitment & recruitment related costs* above has been adjusted accordingly

Note 8 - Office Expenses	2007	2006
	€	€
Post & Telecommunications	15,546	16,248
Printing & Stationery	37,351	3,996
Repairs & Maintenance	1,783	2,651
Advertising & Publicity	23,700	6,431
Recruitment related advertising	24,950	32,897
Periodicals & Newspapers	3,345	3,757
Cleaning & Hygiene Services	6,427	6,091
Light & Heat	6,140	9,585
Sundries	656	2,388
	119,898	84,044

The aggregate paid to consultants in respect of recruitment advertising costs in 2006 (totalling €32,897) was disclosed in the financial statements within *Recruitment & recruitment related costs* - Note 7 above refers. Comparable expenditure totalling €24,950 was borne directly by IAASA in 2007, and has been included as *Recruitment related advertising*. The 2006 comparative above has been amended accordingly.



Note 9 - Information Technology

	2007	2006
	€	€
Software & Licences	17,079	1,162
Peripherals & Consumables	2,454	1,128
Maintenance Contracts	11,442	7,208
Internet Services	1,857	2,647
Website Development	97	4,492
	32,929	16,637

Note 10 - HR & Professional Development

	2007	2006
	€	€
Continuing Professional Development & Other Professional Training	9,969	4,259
Reference Materials & Subscriptions	7,851	4,145
Educational Support	3,200	0
Professional Membership Subscriptions	8,838	5,789
	29,858	14,193

Note 11 - Tangible Fixed Assets

	IT Equipment 33.33% €	Office Equipment 20.00% €	Furniture & Fittings 12.50% €	Total €
Cost				
At 1 January, 2007	2,839	2,010	-	4,849
Additions	7,954	2,058	248	10,260
Disposals	-	-	-	-
At 31 December, 2007	10,793	4,068	248	15,109
Accumulated Depreciation				
At 1 January, 2007	946	402	-	1,348
Charge for year	3,597	814	31	4,442
At 31 December, 2007	4,543	1,216	31	5,790
Net Book Value				
At 1 January, 2007	1,893	1,608	-	3,501
At 31 December, 2007	6,250	2,852	217	9,319

Note 12 - Taxation

Income Tax

In accordance with the provisions of section 227 of the Taxes Consolidation Act, 1997 and the Fourth Schedule to that Act (as amended by section 69(1)(b) of the Finance Act, 2006), the Authority is a non-commercial state-sponsored body for tax purposes and, accordingly, income arising is not liable to income tax. The Authority is not, however, exempt from Deposit Interest Retention Tax (DIRT).

Capital Gains Tax

In accordance with the provisions of section 610 of the Taxes Consolidation Act, 1997 and the Fifteenth Schedule to that Act (as amended by section 74(c) of the Finance Act, 2006), gains accruing to the Authority are not chargeable gains for the purposes of Capital Gains Tax.

Note 13 - Bank & Cash

	2007	2006
	€	€
Bank	716,687	701,201
Cash on Hand	91	200
	716,778	701,401

€255,779 [2006: €171,147] of the funds held in the Authority's bank accounts at 31 December, 2007 relate to the Reserve Fund and can only be used for the purposes as set out in Note 4.3.

Note 14 - Lease of Accommodation, Deferred Rent Incentive & Establishment Costs

The Authority occupies office premises located at Willow House, Millennium Park, Naas, Co. Kildare. At the date that the lease agreement was executed the Authority had not been incorporated as a legal entity and, accordingly, did not have the capacity to enter into a legal agreement. In that context, the lease was entered into on behalf of the State by the Office of Public Works (OPW). Consequently, the Authority is not a party to the lease agreement, which commenced on 19 September, 2005 and which has a term of 20 years.

Under the lease agreement, the first six months of the lease period were rent free and the Authority benefited from a portion of the rent free period i.e., the period between the date of incorporation (20 December, 2005) and the date on which the rent incentive ceased to apply (18 March, 2006). In accordance with the provisions of UITF Abstract No. 28 'Operating Lease Incentives', the value of the incentive (i.e. the rent free



period) enjoyed by the Authority has been spread across the life of the lease. This treatment has resulted in a charge of €27,652 in the financial statements and a corresponding deferred rent incentive, which will be released to the Income & Expenditure Account over the period of the lease.

Further to a commitment given to the Prescribed Accountancy Bodies by the Minister with the consent of the Minister for Finance prior to the Authority's incorporation, the Exchequer funded the Authority's establishment costs in full. This expenditure was incurred by the Department of Enterprise, Trade & Employment.

As a consequence, in addition to tangible fixed assets acquired by the Authority subsequent to its incorporation, and to which the Authority has legal title, the Authority also has the use of certain assets that were acquired by the Department of Enterprise, Trade & Employment 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 balance sheet date, had they been depreciated in accordance with IAASA policies, would be €402,155

Note 15 - Capital Account

	2007	2006
	€	€
Opening Balance - 1 January, 2007	3,501	-
Transfer from Income & Expenditure Account:		
Income applied to capitalised asset acquisitions	10,260	4,849
Less: Amortisation in line with asset depreciation	(4,442)	(1,348)
Closing Balance - 31 December, 2007	<u>9,319</u>	<u>3,501</u>



Note 18 - Analysis of changes in net funds

	Cash at Bank & on Hand	Cash on Fixed Term Deposit	TOTAL
Balance at 1 January, 2007	122,322	579,078	701,400
Cash flow for year	(34,204)	49,582	15,378
Balance at 31 December, 2007	88,118	628,660	716,778

Note 19 - Financial Commitments

19.1 Capital Commitments

There are no capital commitments as at 31 December, 2007.

19.2 Rental commitments

Given that the Authority is not a party to the lease of the Millennium Park premises, the Authority 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.

Note 20 - Accounting Treatment for Retirement Benefits

In accordance with section 20 of the Act, the Authority may only establish a superannuation scheme with the approval of the Minister, given with the consent of the Minister for Finance. While the Authority has prepared and submitted proposals to the aforementioned Ministers in respect of employees and employees' spouses and children (which are based upon the civil service defined benefit 'Model Scheme'), these schemes had not been approved at the balance sheet date (or by the date on which these financial statements were approved by the directors).

As completion of the necessary reviews of proposals for superannuation schemes can be a lengthy process, the Authority has agreed certain interim measures with the Department of Enterprise, Trade & Employment. In that context, the Department has been granted approval by the Department of Finance to operate superannuation arrangements on the Authority's behalf on an administrative basis. These interim arrangements have the following characteristics:

- (i) Authority employees' pension contributions are paid to the Department of Enterprise, Trade & Employment;
- (ii) the Authority pays an employer contribution to the Department, the rate of which is set by the Minister for Finance. In the year, the employer contribution was set at 25% [2006: 25%] of employees' salaries;
- (iii) in return for the payment to it of the employees' and employer's superannuation contributions, the Department has agreed that any superannuation benefits due to Authority employees, and/or their spouses and children will be met in full by the Exchequer as they fall due.
- (iv) this agreement is an interim arrangement until the Authority's own superannuation scheme is approved and is intended to apply to benefits earned by employees only during the year prior to approval.

Financial Reporting Standard 17 'Retirement Benefits' (FRS 17) defines a Defined Contribution Scheme as *'A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior years'*.

As the arrangements currently in place are such that (i) the Authority pays regular contributions fixed as a percentage of pay; and (ii) the Authority, by virtue of the Exchequer undertaking, has no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current or prior years, the directors consider that the foregoing arrangements come within the definition of a defined contribution scheme as defined by FRS 17. Accordingly, the Authority accounts for its employer contributions in accordance with the provisions of paragraph 7 of the Standard, i.e. by charging the cost of contributions payable to the scheme in the year to the Income & Expenditure Account.

Notwithstanding the foregoing, in the interest of transparency and disclosure, the directors have 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 is based on the Projected Unit method, is premised on the following assumptions:

	At 31-12-2007	At 31-12-2006
Rate of increase in salaries	4.50%	4.25%
Rate of increase in pensions in payment	4.50%	4.25%
Discount rate	5.60%	4.75%



Inflation assumption	2.50%	2.25%
Life expectancy at age 70: male	16.2 years	16.2 years
Life expectancy at age 70: female	19.0 years	19.0 years

Based on the above, the present value of liabilities at the balance sheet date is €269,000 [2006: €225,000], and the service cost for the year is €132,606 [2006: €104,442]. Certain of the Authority's staff, who have accumulated service elsewhere in the public service, have not to date exercised the option to transfer said service to the Authority.

Note 21 - Authority Board Members – Disclosure of Transactions

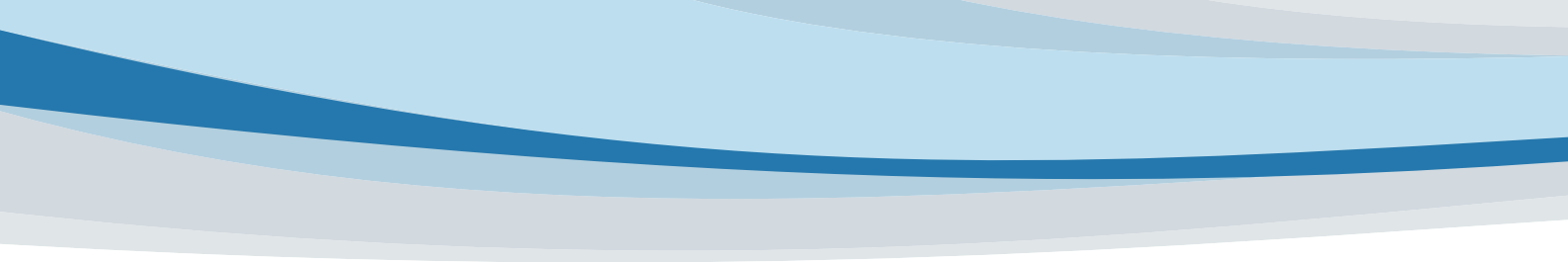
In accordance with the Code of Practice for the Governance of State Bodies, the Authority has in place Codes of Business Conduct for Board members and employees. These codes include guidance in relation to the disclosure of interests by Board members and these procedures have been adhered to by the Board during the year covered by these financial statements.

Note 22 - Approval of the Financial Statements

The Financial Statements were approved by the Board of Directors on 15 April, 2008.



Appendices



Appendix 1

Presentations delivered during 2007

Topic	Forum/Audience	Presenter	Date
The Transparency Directive	Institute of Bankers' Accounting Committee	Michael Kavanagh	March, 2007
An overview of IAASA	MBS in Accounting, DCU	Eileen Townsend	March, 2007
Principal differences between IFRS and Irish GAAP	AIA - CPD Seminar	Michael Kavanagh	April, 2007
The future of financial reporting in Ireland	CCAB-I Forum of IFRS for SMEs	Michael Kavanagh	June, 2007
An overview of IAASA	IPA - CPD Seminar	Eileen Townsend	September, 2007
Key issues on IAASA's agenda	Chartered Accountants' Regulatory Board	Ian Drennan / Karen Erwin	October, 2007
Sharing perspectives	ICAI 'Meet the Regulators' conference	Ian Drennan	November, 2007

Articles authored by Authority staff during 2007

Article Details	Author
'UK & Ireland Technical Update', p. 49, Accounting & Business, ACCA, March, Vol. 10, No. 3. (Update on the ASB's Statement entitled 'Half Yearly Financial Reports')	Michael Kavanagh
'The Future of SME Accounting', pp. 12-14, In Practice Ireland, ACCA, August, Issue 41.	Michael Kavanagh
'The Future of SME Accounting', pp. 13-15, Accountancy Plus, ICPAI, June, Issue 2.	Michael Kavanagh





Appendix 2

Authority Memberships/Representations

Forum	Authority Member / Representative
Accounting Standards Board (ASB)	Ian Drennan (alternate: Michael Kavanagh)
Auditing Practices Board (APB)	Ian Drennan
Company Law Review Group (CLRG) - Plenary	Ian Drennan
CLRG Committee - Auditors & Financial Reporting	Ian Drennan
CLRG – Financial reporting aspects of the General Scheme of the Companies Consolidation and Reform Bill	Ian Drennan Michael Kavanagh
European Enforcers' Co-ordination Sessions (EECS)	Michael Kavanagh
EECS Agenda Group	Michael Kavanagh
European Group of Auditors' Oversight Bodies (EGAOB)	Ian Drennan (alternate: Helen Hall)
EGAOB - Sub-group Co-operation	Ian Drennan
EGAOB - Sub-group Quality Assurance	Helen Hall
International Forum of Independent Audit Regulators	Ian Drennan Helen Hall
Department of Enterprise, Trade & Employment Working Group on the transposition of the EU Statutory Audit Directive	Ian Drennan Helen Hall
Department of Enterprise, Trade & Employment Working Group on the transposition of the Transparency Directive	Michael Kavanagh Jane Meehan







Glossary

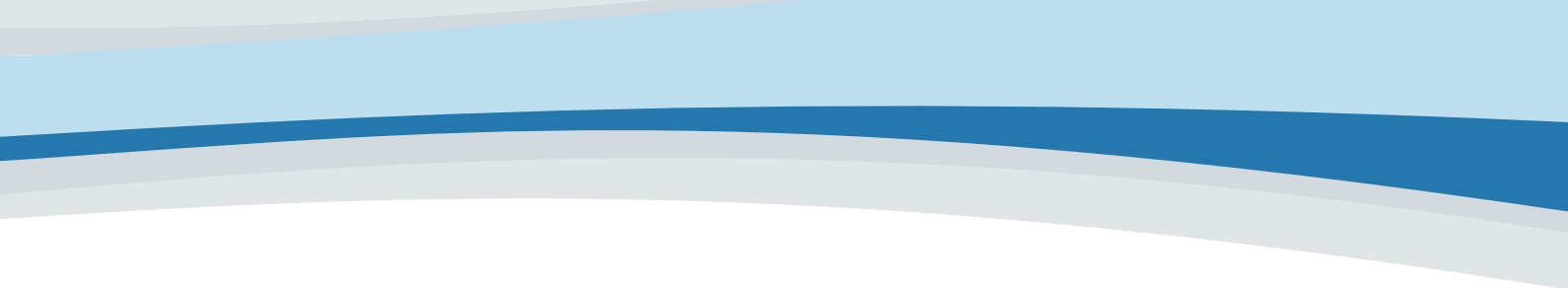


ACCA	Association of Chartered Certified Accountants
Act, the	Companies (Auditing and Accounting) Act, 2003
AIA	Association of International Accountants
APB	Auditing Practices Board
ASB	Accounting Standards Board
Authority / IAASA	Irish Auditing & Accounting Supervisory Authority
CCAB-I	Consultative Committee of Accountancy Bodies – Ireland
CESR	Committee of European Securities Regulators
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
CPD	Continuing Professional Development
CRO	Companies Registration Office
EEA	European Economic Area
EECS	European Enforcement Co-ordination Sessions
EGAOB	European Group of Auditors' Oversight Bodies
FRSSE	Financial Reporting Standard for Smaller Entities
FSAP	EU Commission's Financial Services Action Plan
GAAP	Generally Accepted Accounting Principles
GPR	Global Practising Regulations (ACCA)
IAASB	International Auditing and Assurance Standards Board
IAS	International Accounting Standard(s)
IAS Regulation	EU Regulation (EC) No. 1606/2002
IASB	International Accounting Standards Board
ICAEW	Institute of Chartered Accountants in England & Wales
ICAI	Institute of Chartered Accountants in Ireland
ICAS	Institute of Chartered Accountants of Scotland

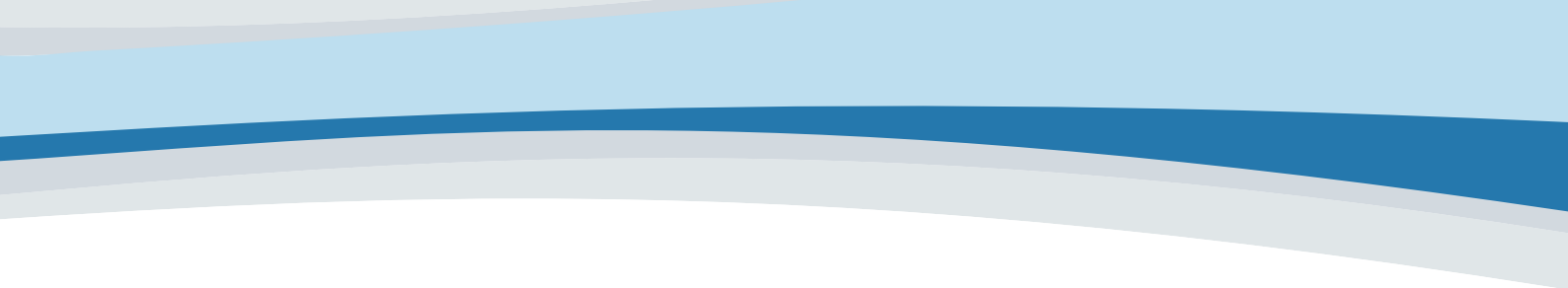


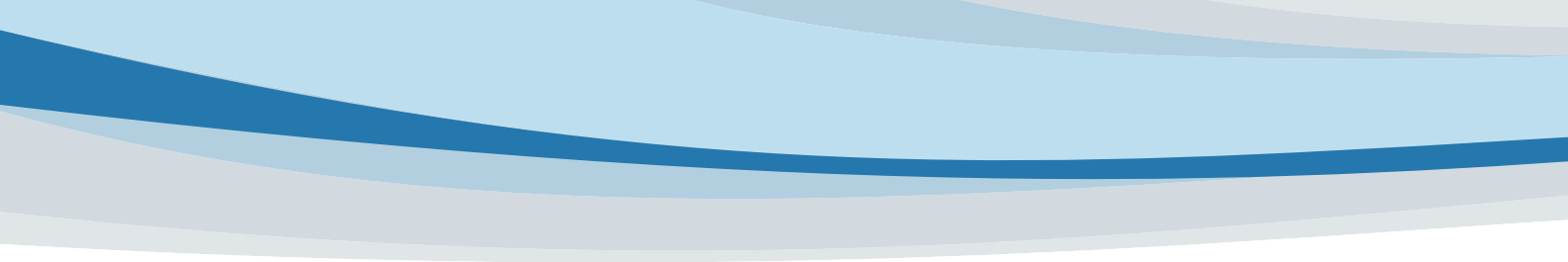
ICPAI	Institute of Certified Public Accountants in Ireland
IEX	Irish Enterprise Exchange
IFAC	International Federation of Accountants
IFIAR	International Forum of Independent Audit Regulators
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IIPA	Institute of Incorporated Public Accountants
MiFID	Directive 2004/39/EC (Markets in Financial Instruments Directive)
Minister	Minister for Trade & Commerce
PAB	Prescribed Accountancy Body
PII	Professional Indemnity Insurance
RAB	Recognised Accountancy Body
Section 23 Regulations	Companies (Auditing and Accounting) Act, 2003 (Procedures Governing The Conduct of Section 23 Enquiries) Regulations, 2007 (S.I. No. 667 of 2007)
S.I. 116	European Communities (International Financial Reporting Standards and Miscellaneous Amendments) Regulations, 2005 (S.I. No. 116 of 2005)
SMEs	Small & Medium Enterprises
SMO1	IFAC's Statement of Membership Obligation No 1: 'Quality Assurance'
Statement, the	ASB Statement entitled ' <i>Half-Yearly Financial Reports</i> '
EU Statutory Audit Directive	Directive 2006/43/EC
Transparency Directive	Directive 2004/109/EC
Transparency Rules	Interim Transparency Rules, as issued by the Financial Regulator
ODCE	Office of the Director of Corporate Enforcement
Oireachtas	Parliament
1990 Act, the	Companies Act, 1990
PCAOB	Public Company Accounting Oversight Board (US)
POB	Professional Oversight Board (UK)

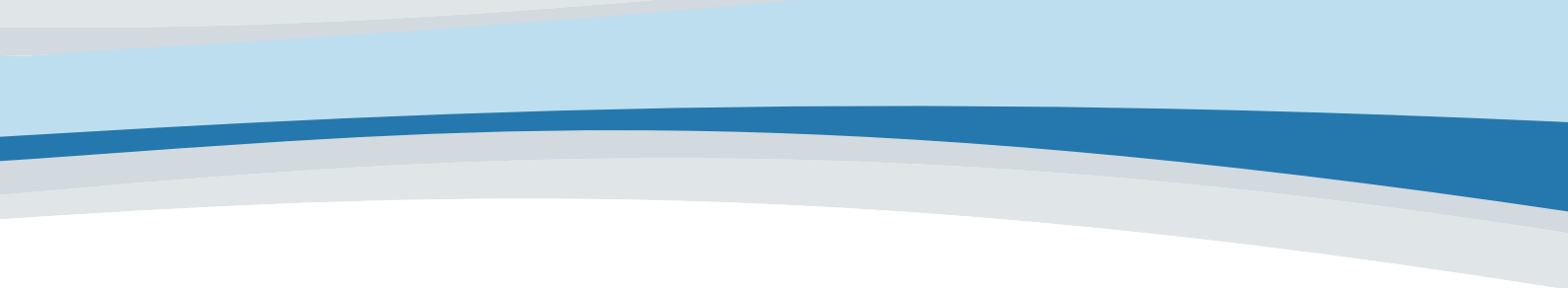


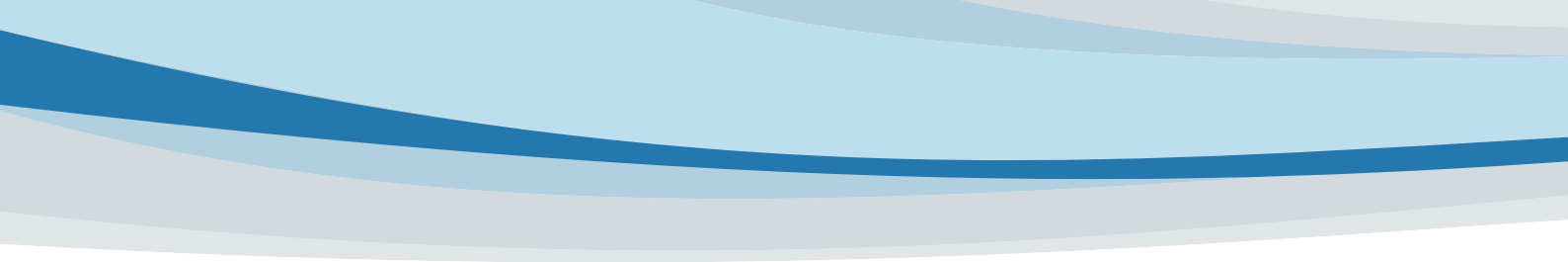














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