

# Chapter 9

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## GOVERNANCE AND STRUCTURE

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# Chapter 9: Governance and Structure

## Legal structure

IAASA is a company limited by guarantee with the following 10 members at 31 December 2021:

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

\* Means a PAB

## Organisational structure

### Overview

By year end, IAASA had 32 (2020: 30) staff, structured into four units as follows:

- Operations, which oversees IAASA's supervisory functions of:
  - quality assurance of audits of PIEs;
  - examination of certain entities' financial reports for compliance with the relevant financial reporting framework; and
  - supervision of the PABs' regulation of their members
- Standards, Policy and Organisational Development, which was concerned principally with:
  - the adoption of auditing standards and guidance in Ireland;
  - implementation of staff-led innovation projects and supporting the Authority's various staff-led committees; and

- internal communications and social media presence.
- Enforcement, which coordinates the Authority's statutory investigations and enquiries; and
- Corporate Services, which provides finance, administration, HR, ICT and legal services support to IAASA, together with providing a secretariat to the board and to certain of its committees.

### Approved staff complement

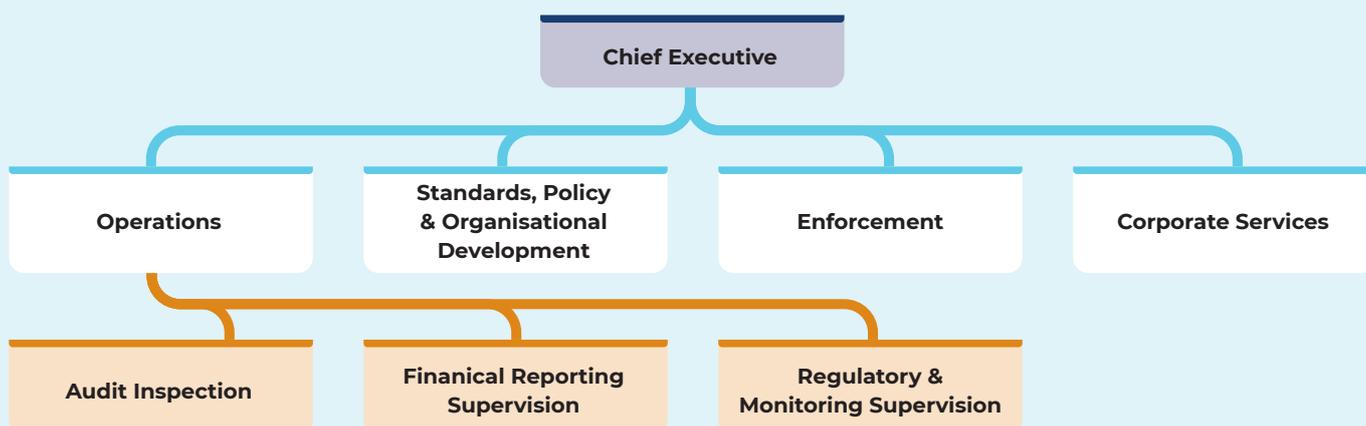
The numbers, grades, and terms and conditions of IAASA's staff are determined by IAASA with the approval of the Minister, given with the consent of the Minister for Public Expenditure & Reform. This means that any amendments to IAASA's approved staff complement require both Ministers' prior approval.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

Approved and actual staff complements at year end

Grade	Approved	Actual
<b>Chief Executive</b>	1	1
<b>Heads of Function</b>	5	3
<b>Senior Managers</b>	8	6
<b>Inspectors and Project Managers</b>	13	11
<b>Executive and Administrative</b>	16	11
<b>Total</b>	<b>43</b>	<b>32</b>

## Organisational chart

IAASA's organisational structure at 31 December 2021 was as set out in the organisation chart below.



## Financial overview

IAASA is mainly funded through a combination of exchequer grant, a statutory levy on the PABs, a statutory levy on the PIE audit firms, and by fees charged for registration services. All funding sources are governed by the provisions of the Act. As a company limited by guarantee, IAASA produces financial statements in accordance with the Companies Act, which are in turn audited by the Comptroller and Auditor General (C&AG) and lodged with the CRO.

Total expenditure in 2021 amounted to €4.4m (2020: 4.2m) from a budget of €6.0m (2020: €6.1m). The principal variations from budget were:

- a significant underspend in both travel & subsistence and office expenditure costs due to the impact of COVID-19; and
- savings in consultancy due to a move away from outsourcing preliminary reviews of financial statements, and reduced legal and committee member costs due to efficient enforcement practices.

## Governance

### Board of directors

IAASA is governed by a board of nine directors, eight of whom are non-executive. These are appointed by the Minister having been nominated by those entities set out below. The remaining director is the Chief Executive, who is appointed by the board.

### Board of directors – nominating bodies

Nominating body	Nominees
Minister	2
PABs (jointly by agreement)	2
Central Bank of Ireland	1
Director of Corporate Enforcement	1
Irish Stock Exchange	1
Revenue Commissioners	1
<b>Total</b>	<b>8</b>

A maximum of three of these eight directors may be members of a PAB.

## Directors' biographies

**Martin Sisk, Chairperson**, has life-long regulatory and business related experience. A qualified solicitor, he started his career in the Revenue Commissioners, served as Registrar of Friendly Societies 1985–2003, Deputy Registrar of Credit Unions 2003–2006, Deputy Head of Consumer Protection Codes 2007–2008 and as Head of the Anti-Money Laundering, Terrorist Finance and Financial Sanctions Unit of the Central Bank 2008–2010. He retired from the Central Bank in July 2010. Martin was elected to the board of Malahide and District Credit Union in December 2010 and continues to be a Director. He has served as a commissioner of the State Examinations Commission since 2017. Martin is a former board member (2011–2021), vice president (2011–2013) and president (2013–2015) of the Irish League of Credit Unions, director and chairperson of VHI Healthcare (2012–2015), and board member of the Health Information & Quality Authority (2015–2020).

**Kevin Prendergast, Chief Executive**, joined IAASA in November 2016 from his role as Head of Enforcement with the Office of the Director of Corporate Enforcement, having been employed there since 2005. Prior to that he worked in the Large Cases Division of the Revenue Commissioners and also has several years' experience in the private sector including a number of years working in an audit firm. Kevin is a Fellow of Chartered Accountants Ireland. As well as holding a Bachelor's Degree and a Masters in Accounting from University College Dublin, he also holds an MSc in Executive Leadership from the University of Ulster.

**Clodagh Hegarty** is a Lecturer in Accounting and Course Director at Ulster University Business School, Magee Campus, where she lectures extensively in audit and financial reporting. She is also Director of Combined Studies at Ulster University, Magee. She is a Fellow of the Association of Chartered Certified Accountants and a Chartered Tax Adviser. She is a past Chair of the ACCA Ireland Committee. Prior to academia, Clodagh spent 15 years' working in practice with EY, Dublin and in general practice in the North West.

**David Hegarty** is a barrister working as a Principal Officer in the Office of the Director of Corporate Enforcement. He qualified as a solicitor in 2002 and transferred to the Bar in 2006, practising primarily in the area of criminal defence and advocacy. He is registered on the LSRA Roll of Practising Barristers in the full-time service of the State. Prior to joining the ODCE he was Advisory Counsel in the Office of the Parliamentary Legal Adviser advising the Houses of the Oireachtas Commission and Service and parliamentary committees on constitutional, parliamentary and administrative law matters. He has also worked as a legal officer in the European Union Rule of Law Mission in Kosovo (EULEX) and at the Special Tribunal for Lebanon in The Hague, working in Judges' Chambers with international judges trying economic crime, corruption, abuse of public

office, war crimes and conspiracy to commit terrorism cases.

**Aisling Kennedy** is an independent non-executive director and chair of the Audit Committee at Athora Ireland plc and an independent non-executive director and chair of the Risk Committee at ECCU Assurance DAC. Her most recent role, prior to embarking on her non-executive career in February 2020, was at Swiss Re as Head of Pricing – Life & Health – UK, Ireland and Israel. Other prior roles over the course of her 35+ year career in financial services include: Client Director at Mercer Ireland, Director of Professional Affairs at the Society of Actuaries in Ireland and Director – Business Development at VHI. She also chaired the Audit Committee at Comreg between 2014 and 2016. Aisling is a Fellow and former Council Member of the Society of Actuaries in Ireland and an Affiliate of the UK Actuarial Profession.

**Aisling McArdle** is the Group Head of Admissions at Euronext and is responsible for the admission to listing and trading of financial instruments on Euronext markets for Equity, Debt and Funds asset classes. She is also a member of the global Euronext regulation team with regulatory responsibilities for Euronext Dublin. She joined the Irish Stock Exchange in 2002 and has held a variety of regulatory roles within the company. She became Head of Admissions in January 2021, having previously held the role of Head of Regulation, Dublin & London. Leading a large cross jurisdictional team, Aisling is responsible for the regulatory engagement with issuers and market participants. She participates on the European Corporate Governance Network and is a Licentiate of the Association of Compliance Officers in Ireland.

**Ronan Nolan** is a Chartered Accountant, and was President of Chartered Accountants Ireland in 2014/2015. He retired as a partner in Deloitte in May 2015 having been a senior advisory partner and chairman of the firm.

**Brendan Sheridan** has worked in financial services for forty years in both the private and public sectors in roles spanning finance, planning, reporting, business transformation and strategy. His focus on distressed debt in a domestic bank led to a move to the Central Bank in 2011 to contribute to the resolution of non-performing loans. He initially led a credit team for three years, engaging with the Troika on a quarterly basis and presiding over onsite inspections, stress tests and remediation plans across Ireland's credit institutions. From 2015 to 2018, Brendan headed the Central Bank's Financial Reporting function and, during that time, developed a strategy for the Finance Division. He undertook a review of the Central Bank's approach to funding of its regulatory activities and, as a result, at the request of the Deputy Governor – Prudential Regulation, in 2019 he assumed responsibility of a multi-year strategy to largely eliminate the burden of regulatory costs on the taxpayer. Brendan also leads the coordination

of the annual regulatory planning and reporting processes for the Central Bank's Prudential Regulation pillar in a role which now logically integrates planning, budgeting, reporting and cost recovery activities. Brendan is a member of the ACCA, and holds a Master's in Business Practice.

The board composition at year end and changes in directors since the last Annual Report are set out in Appendix 1.

### Board procedures

The board holds regular meetings and can hold unscheduled meetings should the need arise. Board members receive information sufficiently prior to these meetings to allow this consider and digest it.

The board has put in place a formal schedule of matters reserved specifically to it for decision, which covers the key areas of governance, finance, risk and oversight. Certain matters are delegated to board committees, as outlined in section 4.5. The board has also put in place a system of formal delegations of authority to the Chief Executive.

Members of the board are nominated as directors of IAASA to act in accordance with the relevant legislation and to act in, and protect and promote, the best interests of IAASA. All board members bring independent judgement to bear on issues dealt with by the board. The board has a formal policy in place for dealing with conflicts of interest that may arise, including disclosure obligations and requirements that directors absent themselves from any discussions or decisions in respect of any such conflicts.

### Governance statement

IAASA operates as a company limited by guarantee under the provisions of the Companies Act 2014. The functions of the board are set out in section 905 of the Act. The board is responsible for ensuring good governance. It performs this task by setting strategic objectives and targets and taking strategic decisions on all key business issues. The regular day-to-day management, control and direction of IAASA are the responsibility of the Chief Executive with the support and assistance of the leadership team. The Chief Executive and the leadership team must follow the broad strategic direction set by the board, and must ensure that all board members have a clear understanding of the key activities and decisions related to the Authority, and of any significant risks likely to arise. While members of the leadership team routinely attend board meetings, the Chief Executive, who is a director, acts as a direct liaison between the board and executive of IAASA.

### Board responsibilities

The work and responsibilities of the board are set out in the schedule of matters reserved to the board, the code of conduct for board members, and in related board policies. Standing items considered by the board include:

- declaration of conflicts of interests;
- the report of the Chief Executive, which includes details of the work of the various operational units together with ongoing financial information and management accounts;
- matters for board decision;
- matters for discussion;
- matters of topical interest;
- risk management;
- reports from committees; and
- the report of the Secretary.

The Authority is required to keep financial records and prepare financial statements in accordance with the Companies Act, as detailed in the financial statements.

The board is responsible for approving the annual plan and budget. Financial information including management accounts detailing actual and budgeted expenditure are considered by the board at each scheduled meeting. The board is responsible for safeguarding its assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board considers that the financial statements of IAASA give a true and fair view of the financial performance and the financial position of IAASA at 31 December 2021

### Board appointment

The Authority operates independently of government and the Minister is statutorily precluded from giving directions to the Authority in the discharge of its functions. Members (other than the Chief Executive) are appointed by the Minister for periods of three to five years. Generally ordinary members are appointed for three year periods, and the Chairperson for five years. The composition of the board at 31 December 2021, and movements since that date, are set out in Appendix 1.

The board carried out an external evaluation of its own performance as described in the financial statements.

### Board committees

The board retains the power to establish committees to assist it in discharging its functions and responsibilities. Under the board's schedule of reserved matters, all committees have written terms of reference and report regularly to the board. The audit and risk committee was the only committee in existence in 2021.

### Audit and risk committee

The audit and risk committee (ARC) comprises three non-executive directors:

- Ms Aisling McArdle (Chairperson)
- Mr David Hegarty
- Mr Ronan Nolan

Its terms of reference are set out in its [charter](#), which is available on the Authority's website. The charter sets out specific roles and responsibilities for the ARC, including the review of both the Authority's annual report and its financial statements before they are considered by the board. Other actions taken by the ARC during 2021 include:

- reviewing the systems of internal control in place in 2020, and making a positive recommendation to the board;
- reviewing both internal ICT processes and procedures, and external ICT security controls, and satisfying itself that they were robust and effective;
- reviewing the business continuity and disaster recovery procedures in place;
- approving new letters of appointment for ARC members; and
- completing an evaluation of its own performance.

In addition, the ARC considers the full risk register at each meeting, and make recommendations as appropriate to the chief risk officer and/or board.

### Schedule of attendance, fees and expenses

Details of fees and expenses paid to members are disclosed in the Authority's financial statements, and have been provided to the Minister.

### Key personnel changes

The responsibility for planning, directing and controlling the activities of IAASA rests exclusively with the board of directors and the Chief Executive, who is also a director. Details of changes in board membership are set out in Appendix 1.

### Disclosures required by Code of Practice for the Governance of State Bodies

The board is responsible for ensuring that IAASA has complied with the requirements of the Code of Practice for the Governance of State Bodies (the Code), as published by the Department of Public Expenditure & Reform in August 2016. The following disclosures are required by the Code:

- An analysis of total employee remuneration (including salaries and other benefits, but excluding employer superannuation contributions) for those earning over €60,000 is set out in Note 14 of the Authority's financial statements;
- An analysis of travel and subsistence is set out in Note 16 of the Authority's financial statements;
- An analysis of consultancy expenditure is set out in Note 17 of the Authority's financial statements;

- The Authority did not incur costs under the 'Legal Costs and Settlements' heading in 2021. All legal costs incurred relate to general legal advice; and
- An analysis of hospitality expenditure is set out in Note 18 of the Authority's financial statements.

### Statement of compliance

IAASA is satisfied that it has complied with all of the requirements of the Code, including adherence to the Public Spending Code.

## Other governance and public sector obligations

### Legal and governance obligations as a body established under statute

The board is principally assisted in ensuring IAASA's compliance with its legal and governance obligations by the Secretary & Head of Corporate Services, who is also the Chief Risk Officer. Where applicable, other members of IAASA's staff contribute as required to IAASA's ongoing compliance with its obligations.

### Principal legal requirements

The Authority has identified and taken the necessary steps to ensure it complies with its legal obligations. It has identified its principal legal requirements as follows:

- company law
- health and safety legislation
- employment and related legislation
- tax law, including those provisions relating to certain service providers holding valid tax clearance certificates
- data protection acts
- official languages act
- ethics in public office law and
- the european communities (late payments in commercial transactions) regulations, 2012.

Certain other requirements typically applicable to statutory bodies such as the freedom of information acts, disability acts, the irish human rights and equality commission act and the irish sign language act do not apply to IAASA by virtue of it not having been designated for such purposes at this time.

### GDPR

The Authority has a Data Protection Officer who works with the Chief Executive to oversee its ongoing obligations under GDPR.

### Protected disclosures

The Authority complies with the Protected Disclosures Act 2014, and details on how to make such disclosures are available on its website. IAASA's annual return under the Act is included at Appendix 6.

### Gender balance in the board membership

As at 31 December 2021, the board had three (33%) female and six (67%) male members, with no positions vacant. The board therefore, did not meet the Government target of a minimum of 40% representation of each gender in the membership of state boards.

Given the statutory nature of the appointment process, IAASA has limited influence on the gender balance of its membership. The majority of appointments are made by the Minister on the nomination of third parties, and neither the Authority nor the Minister has discretion in this matter. Nevertheless, as directors' terms come to an end, IAASA considers any particular skills or experiences that might be beneficial, and where arising brings these to the Minister's attention. To maintain and support gender balance on the board, IAASA includes gender among these observations. Following a high level of turnover in 2020, the Chairperson was the only member appointed (reappointed) in 2021, and no further appointments/reappointments are envisaged in 2022.

### Diversity

The board considered the broader issues of diversity, including gender balance and the recognition of the value of difference, as part of its annual evaluation process. The board comprises a broad mix, from public and private sector, industry and academia. At an organisational level, all levels operate within a 45%/55% gender split, with the exception of administrative grades which currently have a greater female majority. Given the highly specialised nature of its work, IAASA is often seeking to recruit and retain from a small cohort of professionals. Notwithstanding this, IAASA employees come from a broad range of backgrounds and from a number of nationalities.