
ANNUAL REPORT **2016**



IAASA

Irish Auditing & Accounting
Supervisory Authority

DISCLAIMER

Whilst every effort has been made to ensure the accuracy of the information contained in this document, IAASA accepts no responsibility or liability howsoever arising from any errors, inaccuracies, or omissions occurring. IAASA reserves the right to take action, or refrain from taking action, which may or may not be in accordance with this document.

Table of Contents

Mission.....	1
What We Do.....	2
Chairperson's statement.....	3
Chief Executive's review	5

CHAPTER 1

EXAMINATION OF ISSUERS' FINANCIAL REPORTS	9
1. Introduction.....	9
2. Financial reporting enforcement remit and work performed during 2016	9
3. Outcomes of 2016 examinations.....	12
4. Summary of financial reporting decisions published.....	14
5. Thematic examinations.....	18
6. International cooperation	20
7. Advocacy activities.....	21

CHAPTER 2

SUPERVISION OF THE ACCOUNTANCY AND AUDITING PROFESSION	23
1. Introduction.....	23
2. Overview of supervisory activities.....	23
3. Supervisory visits and review meetings	24
4. Approval of the PABs' constitutional documents and attachment of conditions	28
5. Complaints handling and statutory enquiries	28

CHAPTER 3

AUDIT QUALITY UNIT	31
1. Introduction.....	31
2. Audit Inspections Team.....	31
3. Audit standards for use in Ireland	34

CHAPTER 4

LIQUIDATOR REGISTRATION	37
1. Introduction.....	37
2. Responsibilities in respect of liquidator registration.....	37
3. Progress during the year in relation to liquidator registration.....	37

Table of Contents continued

CHAPTER 5

ANNUAL AUDIT PROGRAMME AND ACTIVITY REPORT	39
1. Introduction.....	39
2. Functions performed by the RABs.....	39
3. 2017 Oversight Work Programme.....	43
4. EU Audit Regulation Activity Report.....	44
5. 2017 EU Audit Regulation Work Programme.....	44
6. Results of quality assurance system.....	44

CHAPTER 6

GOVERNANCE AND STRUCTURE	47
1. Legal structure.....	47
2. Organisational structure.....	47
3. Financial Overview.....	49
4. Governance.....	49
5. Corporate Governance Statement.....	55
6. Other public sector and other governance obligations.....	57

FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS	59
Statement on Internal Financial Control.....	61
Directors' Responsibilities Statement.....	63
Comptroller and Auditor General: Report for presentation to the Houses of the Oireachtas.....	64
Statement of Financial Position.....	66
Statement of Income and Expenditure.....	67
Statement of Changes in Reserves and Capital Account.....	68
Statement of Cash Flows.....	69
Notes to the Financial Statements.....	73

APPENDICES

Appendix 1: Board membership at year end and changes in composition since last annual report.....	89
Appendix 2: Issuers examined by the financial reporting supervision unit during 2016.....	91
Appendix 3: Tables of decisions presented by Iaasa during 2016 to the European Enforcers' Coordination sessions.....	93
Glossary of terms.....	97

MISSION

To contribute to Ireland having a strong regulatory environment in which to do business by supervising and promoting high quality financial reporting, auditing and effective regulation of the accounting profession in the public interest

What IAASA does

IAASA is responsible for the supervision of the accounting profession in Ireland, comprising of 36,277 members of Prescribed Accountancy Bodies ('PABs') in business and practice in the State.

IAASA is the competent authority for the oversight of statutory auditors in Ireland, including oversight of the manner in which the six Recognised Accountancy Bodies ('RABs') perform the functions assigned to them in law in respect of statutory auditors, namely approval and registration, continuing education, quality assurance systems and investigative and administrative disciplinary systems.

In addition, IAASA has direct responsibility for the inspection of audits of Public Interest Entities ('PIEs'), comprising of entities with securities listed on a regulated market, credit institutions and insurance undertakings. We directly regulate ten auditing and accounting firms, including all of the Big 4, in respect of this element of their work.

IAASA is responsible for examining the level of compliance of certain entities' annual and half-yearly financial reporting with applicable financial reporting standards (in the main International Financial Reporting Standards ('IFRS') and Irish Generally Accepted Accounting Practice ('GAAP')). This comprises 119 entities, made up of:

- 28 equity issuers, whose market capitalisation at 31 December 2016 was €127bn;
- 73 debt issuers, with balance sheet assets totalling €360bn; and
- 18 closed-ended fund issuers, with balance sheet assets totalling €131bn.

IAASA is responsible for the conduct of investigations on issues arising from its inspection of the audits of PIEs and referrals from overseas competent authorities. IAASA also has the discretionary power to investigate whether a member of a PAB has complied with that body's standards and to investigate whether a prescribed accountancy body has complied with its approved investigation and disciplinary process.

IAASA is responsible for adopting standards on auditing, ethics and internal quality control for all auditors.

IAASA carries out a range of other activities, including registration of certain types of liquidators, engaging with our peer European and international counterparts, and advising the Minister for Jobs, Enterprise & Innovation on key auditing and accounting matters.

Why do we do it

IAASA's mission is to contribute to Ireland having a strong regulatory environment in which to do business by supervising and promoting high quality financial reporting, auditing and effective regulation of the accounting profession in the public interest.

What guides us

IAASA operates with powers and functions granted to it under the Companies Act 2014, and related Statutory Instruments. We carry out our work in accordance with values set out by our Board:

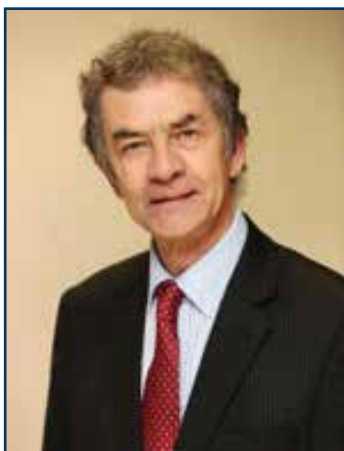
- Public interest
- Independence
- Integrity
- Commitment
- Fairness and consistency
- Effectiveness and efficiency
- Transparency and accountability

Who do we report to

IAASA is governed by a Board of Directors made up of representatives of stakeholders and members nominated by the Minister for Jobs, Enterprise & Innovation. IAASA is answerable to the Oireachtas.

What is our budget

IAASA's total expenditure in 2016 was €2.6m, from a budget of €4.4m. The most significant areas of underspend were in payroll and related costs due to ongoing difficulties in attracting additional suitably qualified staff.



Martin Sisk, Chairperson

Introduction

This is IAASA's ('the Authority') eleventh Annual Report. It is with pleasure that I submit it to the Minister for Jobs, Enterprise & Innovation ('the Minister'), in accordance with section 928(1) of the Companies Act 2014 ('the Act'). The Chief Executive's Review summarises the principal activities undertaken by the Authority during 2016 to fulfil its mission. The remainder of this Report gives details of this work. In my Statement, I would like to highlight some significant developments that occurred during the year 2016.

Audit reform

Our audit oversight role is currently governed by SI 312¹, which came into effect on 17 June 2016. At year end the Department of Jobs, Enterprise & Innovation was well advanced in its work of replacing this with new primary legislation, the Companies (Statutory Audits) Bill. This legislation will repeal SI 312 and amend the Companies Act 2014 in particular by adding a new Part 27 to the Act to cover auditor oversight. This will substantially bolster the oversight regime conferred on IAASA as the competent authority.

While at year end draft Heads were not yet available, the intent of the legislation is to change the nature of IAASA's interaction with the RABs who are allowed to authorise their members to perform statutory audits. IAASA is already (under SI 312) responsible for the public oversight of statutory auditors and audit firms of PIEs, with certain other tasks directly assigned in law to the RABs. The new model will result in significant change to the nature of the relationship between IAASA and the RABs as when the legislation comes into force it will confer on IAASA the power to delegate tasks to the RABs. Delegation agreements between IAASA and the RABs will set out how the new model will operate in practice. IAASA will liaise with the RABs during 2017 to ensure that the necessary administrative structures are in place in advance of that time. Ultimately, working with the RABs, the intent is to further underscore the high quality and robust oversight regime under which the auditing profession operates.

Internationally, IAASA continues to work with fellow competent authorities and during 2016 discussions continued with the our US equivalent, the PCAOB, to put in place an agreement which will lead to joint inspections of the auditors of companies subject to US jurisdiction. Significant progress has been made and it is hoped that the final hurdles to a signed agreement will be overcome in 2017.

Investigations

The Bill is also intended to reform and streamline how the Authority undertakes its investigative responsibilities. While it is intended that the RABs will retain their primary role in relation to the investigation of matters relating to non public interest entity auditors, the legislation assigns responsibility to IAASA to carry out investigations into potential breaches of the law uncovered as a result of quality assurance inspections or referred to IAASA by other competent authorities. IAASA also retains responsibility for investigations into potential non-compliance with approved investigations and disciplinary procedures of the PABs and investigations into breaches of a PAB's standards where it deems it appropriate. The intent is that IAASA will have a single investigative

¹ *Statutory Instrument 312 of 2016 European Union (Statutory Audits) (Directive 2006/43/EC, as amended by Directive 2014/56/EU, And Regulation (EU) No 537/2014) Regulations 2016*

process which will deal with any matter that falls to it to investigate, and that the necessary powers to carry out these investigations will be housed in legislation, allowing the Authority to establish its own procedures. Public consultation on this process will take place when a draft set of procedures are available.

Staffing resources

During 2016 IAASA received sanction to recruit significant additional staff, which when carried through will put it on a much firmer footing in terms of being able to carry out the many tasks assigned to it under legislation. However the Authority continues to face challenges in recruiting additional appropriately skilled staff. IAASA operates in a competitive marketplace where there is significant demand for the professional and technical skills it is seeking to obtain. There are key roles which are to be filled in 2017, in particular the Team Lead on Audit Standards and the Team Lead on Conduct, as well as several vacancies across the Authority's other areas of activity. The Authority continues to be the subject of critical comment by the European Securities and Markets Authority in relation to the level of resources in its Financial Reporting Supervision Unit. The Executive will continue to prioritise filling its approved staffing sanction.

Brexit

Like many other entities, private and public, the work of IAASA will in all likelihood be impacted by the proposed departure of the UK from the European Union. Partly these impacts will reflect the impact on the audit profession, with a number of the RABs being located in what will become a non-EU jurisdiction. Equally, elements of the regulatory structure in this jurisdiction are intertwined with the UK. As alluded to elsewhere in this Report, the Authority has a strong working relationship across a range of areas with our UK counterpart, the Financial Reporting Council, and the extent to which we can continue to work closely on

a range of issues of mutual interest will need to be kept under review. The Board has identified Brexit as a key challenge for IAASA in the short to medium term and will strive to ensure that the Authority is well placed to respond to that challenge.

Board composition

The year was one of change in the Board, marked in particular by the tragic passing of Professor Brendan Walsh, my predecessor as Chairperson. I would like to thank my colleague Conor O'Mahony, who took on the role of Deputy Chairperson for the period up to my appointment just prior to the year end. 2016 also marked the departure of our Chief Executive, Helen Hall, who left to take up the role of Chief Executive of the Policing Authority, and the Board wishes her well in that position. I would like to thank Michael Kavanagh who acted as interim Chief Executive until the appointment of Kevin Prendergast as Chief Executive in November, 2016.

Concluding remarks

In my short time as Chairman it is already evident that the Authority benefits from a strong and dedicated Board, as well as a committed Executive and staff, and I would like to pay tribute to them for their work during 2016. I would also like to thank on behalf of the Board the Minister for Jobs, Enterprise & Innovation and the staff of her Department for their ongoing support in striving to ensure that the Authority is adequately structured and resourced to carry out its obligations. As IAASA moves forward into a new era under a revised legislative structure, it will be vital that all parties work together to create an efficient and robust regulatory environment for the profession.

Martin Sisk
Chairperson
28 April 2017



Kevin Prendergast, Chief Executive

Introduction

The purpose of this report is to provide an overview of the activities of IAASA during 2016, as well as to present the Authority's annual financial statements. The year was a significant one for the governance of the Authority with my appointment as Chief Executive and the appointment of our new Chairperson both occurring late in the year. From an operational standpoint this year marked the first full year of operation for the Audit Quality Unit as well as the establishment of the Conduct and Legal Services Unit, which will oversee IAASA's investigations and sanctioning remit, as well as having responsibility for the registration of certain classes of liquidators.

In order to be able to respond to these demands, IAASA has been granted sanction to expand its workforce, and steps to achieve that commenced in 2016. This will continue to be a priority for the Authority.

Our Activities

IAASA's remit continues to expand, as further responsibilities are conferred by legislation. The nature of our relationship with the audit profession underwent fundamental change during the year, with SI 312 replacing SI 220 of 2010. SI 312 will in turn be replaced by primary legislation and at the year end work was well under way on what will ultimately be the Companies (Statutory Audits) Bill. IAASA has worked closely with the Department of Jobs, Enterprise & Innovation in the development of this legislation, which will have a significant impact on how we carry out our oversight of the auditing profession.

Our Financial Reporting Supervision Unit completed 45 examinations during 2016. Arising from our work in 23 instances issuers provided undertakings in respect of future financial periods. As part of its review work programme, the Financial Reporting Supervision Unit undertook five thematic examinations into operating lease commitments, defined benefit pension scheme assumptions, the recognition of intangible assets, share based payments and the application of IFRS 13 *Fair Value Measurement*.

Closed end funds and debt issuers continue to reveal more issues than equity issuers, with an average of 3.1 issues per issuer as compared to 1.4 for equity issuers. While there was some improvement in 2016 compared to previous years, some of these issuers continue to underestimate the need for proper financial reporting processes, and consequently under resource this process. This may ultimately result in prolonged engagement between those issuers and IAASA in resolving matters so that, ultimately, financial statements comply with financial reporting standards and are not misleading users. In addition, IAASA publishes, on a named basis, some of its financial reporting decisions each year. Six such decisions taken in 2016 have been published by IAASA.

Our Regulatory & Monitoring Supervision Unit is responsible for the supervision of the nine PABs in Ireland, six of which are also RABs who may authorise their members to carry out statutory audits. During the year we undertook supervisory visits to three RABs. The focus of two of these visits was on investigation and disciplinary processes and one focused on auditor licensing. Also during the year supervisory reports were issued to four RABs, three on their processes for the licensing of auditors and one in respect of auditor quality assurance.

In relation to auditor licensing, in general these reviews found that the processes were of a good standard. However some areas for improvement were identified. IAASA will continue to work with the RABs to ensure that these improvements are put in place. Work is continuing on the reports in relation to investigation and disciplinary processes.

IAASA also carried out checks to confirm whether RABs were complying with the obligation to review each statutory auditor at least once every six years. We were satisfied to note substantial compliance with this cycle.

In overseeing the PABs, IAASA also has the power to carry out enquiries to determine whether they have complied with their investigation and disciplinary

procedures. During the year two such enquiries were concluded with fines imposed and further procedures required.

IAASA also reviewed the report prepared by the regulatory arm of Chartered Accountants Ireland into the audits of the impairment provisions of certain financial institutions in financial statements dating back to the economic collapse. IAASA considered this report carefully having regard to the many legislative and professional standards changes that have taken place since then, as well as IAASA's enhanced role now in relation to direct inspections of the audits of these institutions. The Authority will continue to supervise the ICAI in its ongoing regulatory responses to these and related issues.

IAASA's Audit Quality Unit continued its planning activities in the first half of 2016 and its powers were commenced by SI 312. Its Audit Inspections Team has responsibility for inspecting the quality of work performed by the auditors of PIEs, including those remaining financial institutions referred to above. Staffing this Team remains a priority. Following the receipt of its powers, the Team commenced one inspection. This was still ongoing at the year end.

During 2016 IAASA was also conferred with the responsibility for the adoption of auditing and related ethical and internal quality control standards. At the year end work was well advanced in putting Irish standards in place. And also during 2016 significant progress was made on our liquidator registration obligations.

Integral to our work are our engagement and advocacy responsibilities, and IAASA engages on a regular basis with a range of bodies at EU and international level, including the European Securities and Markets Authority ('ESMA'), the Commission for European Auditor Oversight Bodies ('CEAOB'), and the International Forum for Independent Audit Regulators ('IFIAR'). As part of this engagement we are active members of a number of committees and working groups. We also work closely with other audit regulators. In particular, we liaise with the Financial Reporting Council in the UK across a range of our activities, including attending as an observer at the Corporate Reporting Council and Audit & Assurance Council. The Corporate Reporting Council provides strategic input to the FRC as a whole with regard to accounting standards. The Audit & Assurance Council considers and advises the FRC Board and the Codes and Standards Committee on audit and assurance matters.

We also published a range of reports covering our work as financial reporting enforcer, and on the accounting profession, all of which are available on our website, www.iaasa.ie. And as part of our wider advocacy role we engaged regularly with our stakeholders during the year.

Concluding remarks

Our 2016 Report provides a comprehensive review of the breadth of the work of IAASA during 2016. Achieving this, and dealing with the changing legislative environment within which we operate, brought enormous challenges to the organisation during the year. I would like to pay tribute to the hard work and dedication of my colleagues, who in my short time in office have already shown their professionalism, flexibility and willingness to take on those challenges. I would also like to express my gratitude to my Chairperson and Deputy Chairperson and the Board for their ongoing support and guidance.

Kevin Prendergast
Chief Executive
28 April 2017



CHAPTER 1

Examination of issuers' financial reports

1. Introduction

This Chapter sets out the:

- a) key activities undertaken in 2016 by IAASA in relation to its financial reporting enforcement function;
- b) financial reporting decisions published in the year in consequence of financial statement examinations performed; and
- c) ancillary functions relating to its financial reporting enforcement i.e.:
 - cooperation with other EU national financial reporting enforcers;
 - cooperation in the development of financial reporting standards; and
 - providing financial reporting advice to the Minister.

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

2. Financial reporting enforcement remit and work performed during 2016

2.1. Issuer constituency

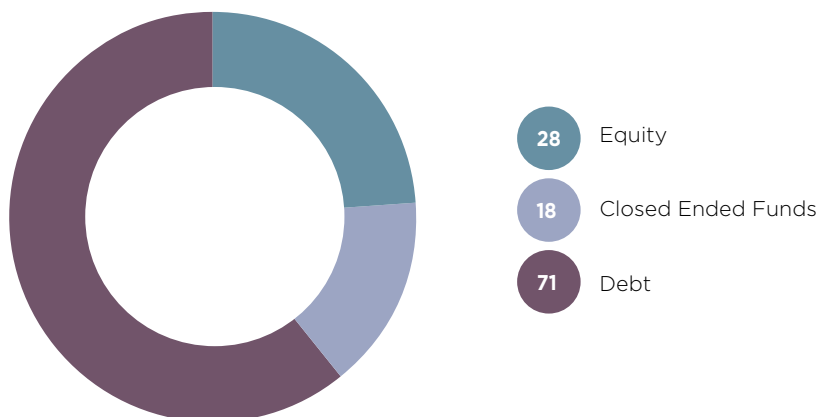
At 31 December 2016, IAASA's known financial reporting examination constituency comprised 117 (2015: 129) issuers made up of 28 equity issuers, 18 closed-ended fund issuers and 71 debt issuers.

These numbers exclude issuers registered in Ireland and admitted to trading on a regulated market within the EU but outside Ireland where the Central Bank of Ireland has not been notified by the issuer that Ireland is that issuer's home Member State. This is a Europe-wide issue which the European Securities Markets Authority ('ESMA') is currently working to resolve.

Table 1.1 details the number of financial reports of these issuers which are under IAASA's remit.

These 117 issuers publish approximately 234 periodic financial statements falling within IAASA's financial statement review remit.

Table 1.1: Financial reporting review constituency at 31 December 2016



2.2. Categories of examination¹

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

- a) Unlimited scope examination of financial information** – the evaluation of the entire content of the financial information in order to identify issues / areas that need further analysis and to assess whether the financial information is compliant with the relevant financial reporting framework;
- b) Focused examination of financial information** – the evaluation of pre-defined issues in the financial information and the assessment of whether the financial information is compliant with the relevant financial reporting framework in respect of those issues;
- c) Follow-up examination of actions** – ensuring that appropriate improvements are made to financial reports where the issuer has previously given an undertaking to IAASA to amend future Reports;
- d) Thematic examination of financial information** – the evaluation of financial reporting practices adopted by a range of issuers in respect of one or more financial reporting matters. These examinations are desk-based and limited to examining publicly published information without issuer engagement; and
- e) Topical surveys** – these surveys, mandated by ESMA, comprise the examination of the financial reporting treatments applied by selected issuers based on parameters set by ESMA. These surveys are also desk-based and limited to examining publicly published information without issuer engagement. If, as a result of its findings from these surveys, IAASA subsequently engages with an issuer, that subsequent engagement is designated as a separate unlimited scope examination or focused examination as appropriate.

2.3. Examinations undertaken in 2016

Examinations which were undertaken in the year are set out in Table 1.2.

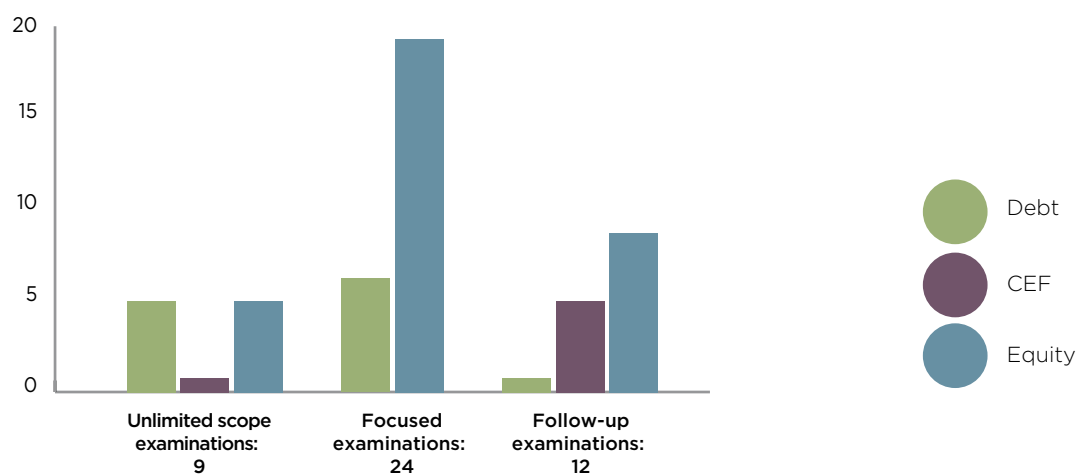
Table 1.2 Examinations undertaken in 2016



¹The definition and scope of unlimited scope examination, focused examination and follow-up examination are those adopted by ESMA in its *Guidelines on enforcement of financial information*

	2016				2015
	Equity	CEF	Debt	Total	Total
Examinations of annual financial reports	26	5	6	37	28
Examinations of half-yearly financial reports	4	-	4	8	5
Sub-total, by type of examination	30	5	10	45	33
Thematic examinations:					
Operating lease commitments (July 2016)	28	-	-	28	-
Survey of Issuers' Defined Benefit Pension Scheme Assumptions (August 2016)	28	-	-	28	-
Recognition of Intangible Assets and Scale of Acquisition Activity (September 2016)	28	-	-	28	-
Share-Based Payments (October 2016)	28	-	-	28	-
Survey on the application of IFRS 13 <i>Fair Value Measurement</i> (November 2016)	28	-	-	28	-
IFRS 10 <i>Consolidated Financial Statements</i> , IFRS 11 <i>Joint Arrangements</i> and IFRS 12 <i>Disclosure of Interests in Other Entities</i>	-	-	-	-	5
IAASA Survey of Directors' Critical Accounting Judgements and Auditors' Assessed Risks of Material Misstatement	-	-	-	-	20
ESMA topical survey:					
ESMA 2015 European Common Enforcement Priorities (ECEP) questionnaire	5	-	-	5	5

Financial reporting examinations undertaken in 2016 by type



A list of issuers' annual and half-yearly financial statements subject to unlimited scope, focused or follow-up examination during 2015 is set out in Appendix 2.

Consistent with earlier years and in line with ESMA selection criteria, the financial reports examined in 2016 were selected on the basis of:

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

IAASA completed 42 examinations (2015: 33) of individual financial statements during 2016 and corresponded with issuers in relation to 29 (2015: 24) of these examinations. A further 3 (2015: 3) examinations were at an advanced stage at year end and IAASA was in ongoing correspondence with these three issuers.

A total of 149 (2015: 162) matters were raised with issuers' directors during 2016.

The average number of matters raised with issuers in respect of unlimited scope examinations undertaken was 11 (2015: 7).

IAASA held face-to-face meetings and/or conference calls with 11 (2015: 10) issuers during the year as part of their financial statement examinations.

The financial statements of 28 issuers (i.e. all 27 listed equity issuers and Allied Irish Banks plc, a debt issuer)³ were reviewed as part of the five thematic examinations undertaken in 2016. Section 5 below provides further detail on these thematic examinations.

3. Outcomes of 2016 examinations

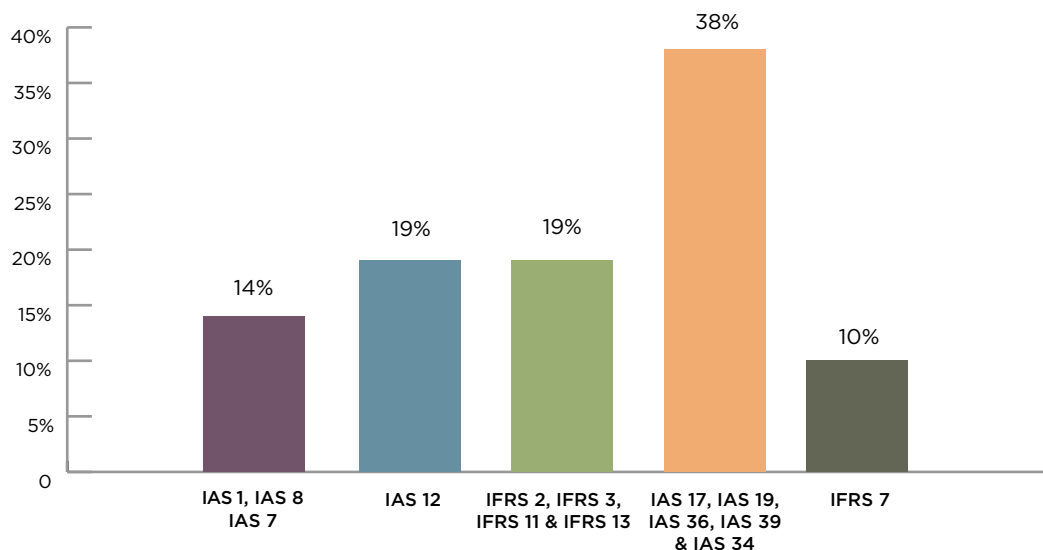
As a consequence of IAASA's examinations, in 23 instances (2015: 17) issuers provided undertakings in respect of future periodic financial reports.

For unlimited scope examinations a total of 33 (2015: 61) voluntary undertakings were provided by issuers' directors to amend future periods' financial statements and 28 (2015: 9) in respect of focused examinations and follow-up examinations.

Equity issuers

For examinations of equity issuers a total of 66 matters were raised (2015: 78) and 24 (2015: 28) undertakings were received. The average number of undertakings per issuer was 1.4 (2015: 1.6). The undertakings received from equity issuers (all of which apply IFRS as adopted by the EU) are analysed in the following table:

³Allied Irish Bank plc is currently classified as a debt issuer

Table 1.3 Analysis of undertakings received from IFRS equity issuers in 2016 by topic

Closed-ended funds and debt issuers

For closed-ended funds and debt issuers' examinations a total of 62 (2015: 51) matters were raised and 25 (2015:41) undertakings were received. The average number of undertakings provided was 3.1 (2015: 4.1) per issuer, which compares with an average of 1.4 for equity issuers. When outliers are excluded, the amount of non-compliance identified in the Reports of selected closed-ended fund and debt population is improving, however, the quality of selected issuers' financial reports examined remains of a lower quality than for equity issuers.

Examinations of closed-ended funds and debt issuers frequently result in more engagement time being spent by IAASA and result in more undertakings being provided.

In addition to the IFRS undertakings noted above a further 3 undertakings was received from one issuer applying FRS 104 *Interim Financial Reporting*.

IAASA's perception of the quality of financial reporting by issuers

a) Equity issuers

IAASA has previously noted that the overall standard of financial reporting by equity issuers is very good and this remains the case. IAASA continues to enjoy a high level of cooperation

from management during its engagement with equity issuers.

Notwithstanding this overall positive perception, IAASA takes this opportunity to remind issuers that there is room for improvement in the quality and transparency of financial reporting and, in particular, through the incorporation of issuer-specific disclosures in financial reports. Alternative performance measures remains an area where issuers are reminded to further consider thereby providing a link between the "front end" analysis and management commentary and the statutory IFRS-based financial statements.

IAASA remains alert to the fact that each phase of the economic cycle together with new and amended financial reporting pronouncements present challenges for preparers, audit committees and accounting enforcers.

Issuers are encouraged by IAASA to remain vigilant to developments arising from:

- (i) the application of new and amended financial reporting pronouncements and, in particular, the requirements to disclose the impact of the future adoption of IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*;

- (ii) matters raised in IAASA's *Observations* documents and periodic publications; and
 - (iii) ESMA's European common enforcement priorities for 2016 financial statements; and
 - (iv) ESMA's Guidelines on Alternative Performance Measures (30 June 2015).
- b) Closed-ended fund and debt issuers
- IAASA has previously commented adversely on the wide variation in quality of the financial reporting of selected closed-ended fund and debt issuers. Certain issuers have demonstrated a noted improvement in the quality of their financial reporting. However, there remain a number of issuers where the quality of financial reporting continues to be below expectations. This below par performance is evidenced by a disproportionately large number of undertakings provided and some significant instances of non-compliance being identified. The complexity of some issuers and their risks has not been reflected in their financial reporting processes. In some instances, this results in prolonged engagement with IAASA and results in significant time resources being required by the issuer to correct the financial reporting.

Issuers are once again reminded that IAASA publishes certain of its financial reporting decisions on a named basis.

4. Summary of financial reporting decisions published

In accordance with its *Policy Paper on Publication of IAASA's Financial Reporting Findings* (updated 21 June 2016), IAASA has published 6 (2015: 11) financial reporting decisions in respect of 5 (2015: 11) issuers where the decision was reached in 2016. Further decisions reached in 2016 will be published in 2017 once the text of those decisions has been notified to the impacted issuers.

It should be noted that the published financial reporting decisions (summarised below) include decisions where:

- a) the issuer voluntarily provided undertakings to enhance its financial reporting treatment and/or disclosures in future financial statements to address matters identified in the course of IAASA's examinations; and
- b) IAASA concurred with the financial reporting treatment applied by the issuer and, consequently, no corrective action was required.

The following Table summarises those 11 decisions. The complete text of the published financial reporting decisions may be accessed on the Authority's website.

Issuer	Financial report	Financial reporting requirements	Summary of financial reporting decision
Morgan Stanley Asia Products Limited (debt issuer)	Annual financial statements for the year ended 31 December 2014	IAS 1 <i>Presentation of Financial Statements</i> IAS 7 <i>Statement of Cash Flows</i> IFRS 7 <i>Financial Instruments: Disclosures</i> IAS 24 <i>Related Party Disclosures</i> IFRS 8 <i>Operating Segments</i> Regulation 5(4)(c)(ii) – Management Reports	The provided IAASA with a number of undertakings to ensure compliance, in full, with certain financial reporting standards and the Regulations). In particular, the issuer agreed to amend the presentation and to provide additional disclosures in future financial statements in relation to the: (a) presentation of gains and losses on financial instruments in the Statement of Comprehensive Income (Profit & Loss Account) (IAS 1); (b) classification of amounts in the Statement of Cash Flows (IAS 7); (c) credit risk disclosures (IFRS 7); (d) market price risk disclosures (IFRS 7); (e) disclosures related to offsetting of financial assets and financial liabilities: master netting arrangements or similar agreements (IFRS 7); (f) related parties transactions (IAS 24); (g) operating segment disclosures (IFRS 8); and (h) Management Report – fair review and principal risks and uncertainties (Regulation 5(4) (c) (ii)).
Aryzta AG (equity issuer)	Half-yearly financial report for the six months ended 31 January 2016	IAS 28 <i>Investments in Associates and Joint Ventures</i> IFRS 11 <i>Joint Arrangements</i> IFRS 10 <i>Consolidated Financial Statements</i>	This financial reporting decision concerns the treatment by the issuer of its investment in Picard Groupe ('Picard') as an associate under IAS 28. Following an examination of certain extracts of the Securities Transfer Agreement, IAASA concluded that the issuer's investment in Picard should be treated and disclosed as a Joint Venture under IFRS 11.
Cairn Homes plc (equity issuer)	Annual financial statements for the year ended 31 December 2015	IFRS 7 <i>Financial Instruments: Disclosures</i>	This financial reporting decision concerns the omission by the issuer of certain market risk disclosures required by IFRS 7.

Issuer	Financial report	Financial reporting requirements	Summary of financial reporting decision
Permanent TSB Group Holdings plc (equity issuer)	Annual financial statements for the year ended 31 December 2014	IAS 12 <i>Income Taxes</i> IAS 1 <i>Presentation of Financial Statements</i>	This decision concerns the recognition, measurement and disclosure of deferred tax assets ('DTAs') by the issuer amounting to €420m or approximately 18% of total equity and which was forecast to be recovered over 26 years. IAASA's decisions were: (a) there was insufficient clarity in the accounting standard (IAS 12) to enable IAASA to require the issuer to apply alternative recognition and measurement criteria in respect of DTAs; and (b) additional DTA disclosures were necessary in the issuer's financial report to enable users to gain a better understanding of the judgements and key assumptions underpinning the recovery of DTAs over an extended time period.
Permanent TSB Group Holdings plc (equity issuer)	Annual financial statements for the year ended 31 December 2014	IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> IAS 34 <i>Interim Financial Reporting</i>	The decision is concerned with the restatement of comparative amounts and the interaction between IAS 8.42(a) and IAS 34. This decision addresses whether the disclosure requirements of IAS 8.42 and IAS 8.49 to correct material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery applies to both: (a) the first interim financial statements; and (b) the first annual financial statements after the error was discovered.

Issuer	Financial report	Financial reporting requirements	Summary of financial reporting decision
AerCap Global Aviation Trust (debt issuer)	Annual financial statements for the year ended 31 December 2015	FRS 102 <i>The Financial Reporting Standard applicable in the UK and Republic of Ireland</i> The Regulations	IAASA concluded that the issuer had not complied, in full, with disclosure requirements of FRS 102 and Regulation 5(4) (c) (ii). The issuer provided IAASA with undertakings to provide additional disclosures in future financial statements regarding: <ul style="list-style-type: none"> (a) Revenue [FRS 102.23.30 – Revenue]; (b) Secured and unsecured notes and subordinated debt [FRS 102.11.42(a) – Basic Financial Instruments]; (c) The accounting policy for aircraft and equipment purchase commitments and non-refundable deposits [FRS 102.8.5 – Notes to the Financial Statements]; (d) Assets pledged as security [FRS 102.17.32(a) – Property, Plant and Equipment]; (e) Management Report – fair review of the business [Regulation 5(4)(c) (ii) and Rule 6.1 of the Transparency Rules of the Central Bank of Ireland]; and (f) Analysis of expenses [FRS 102.5.11 – Statement of Comprehensive Income and Income Statement].

5. Thematic examinations

IAASA undertook five thematic examinations during 2016 (2015: two). In each instance, the survey was based on the 2015/16 annual financial reports published by all 27 equity issuers then falling within IAASA's financial reporting review remit together with Allied Irish Banks plc, a debt issuer

5.1. Operating lease commitments – a survey of operating lease commitments by Irish equity issuers (July 2016)

IAASA carried out a desk top survey on the commitments under operating leases as disclosed in issuers' 2015 annual financial statements.

The current international accounting standard IAS 17 *Leases* requires issuers to disclose their operating lease commitments over the following periods:

- (a) not later than one year;
- (b) later than one year and not later than five years; and
- (c) later than five years.

Under the existing rules, lessees account for lease transactions as either "operating" leases or as "finance" leases. Under IAS 17 "operating" lease commitments do not appear as liabilities on issuers' statements of financial position. However, for "finance" leases, the related assets and lease obligations are required to be recognised on the statement of financial position.

The new leases Standard, IFRS 16 *Leases*, was published in January 2016 with an IASB effective date of 1 January 2019. IFRS 16 replaces IAS 17 and related interpretations. IFRS 16 eliminates the distinction between 'operating' leases and 'finance' leases in IAS 17. In summary, under IFRS 16 all leases, subject to certain *de minimus* exceptions, will be treated in a manner similar to the existing requirements under IAS 17 for 'finance' leases. IFRS 16 introduces a single lessee accounting model where the lessee is required to recognise in its statement of financial position:

- (a) assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value; and
- (b) the right of use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The desk top survey identified that the 28 selected issuers had a total of €6.6bn (2014: €5.8bn) of "operating" lease commitments which may be indicative of the scale of how much of the current "operating" lease commitments would require to be capitalised once issuers adopt the requirements of IFRS 16.

5.2. Survey of issuers' defined benefit pension scheme assumptions (August 2016)

IAASA performed a desk top survey on the principal assumptions used by issuers in measuring the assets and liabilities of their defined benefit pension schemes.

International financial reporting standards require entities to recognise a liability equal to the present value of the obligation to pay pensions that have accrued based on employees' service to date. Given the specialised nature of defined benefit pension arrangements, issuers engage actuaries to assist them in making actuarial assumptions and other estimates when accounting for these pension plans in accordance with international accounting standards. IAS 19 *Employee Benefits* requires an entity to deduct the fair value of any plan assets from the carrying amount of the obligation in order to determine the net defined benefit liability or asset.

This survey focused on the four assumptions that issuers most frequently address in pension accounting. The assumptions are:

- (a) discount rate;
- (b) rate of increase in salary;
- (c) rate of increase of pensions in payment; and
- (d) inflation.

IAASA's desk top survey identified that the total present value of the defined benefit obligation for all issuers included in this survey was €23.7bn while the fair value of the plan assets amounted to €20.7bn. This gives a total net pension liability for all issuers included in this survey of €3.0bn (2014/15: €4.7bn).

5.3. Recognition of intangible assets and scale of acquisition activity - a survey (September 2016)

IAASA performed a desk top survey on:

- (a) the nature of intangible assets recognised by Irish equity issuers in their statement of financial position (balance sheet); and
- (b) the scale of acquisition activity undertaken by those issuers as recognised in their 2015 financial reports.

IFRS define an intangible asset as identifiable non-monetary asset without physical substance, for example, computer software, licenses, etc. An intangible asset is identifiable if it is either separable, that is, it could be sold separately from the business, or it arises from contractual or other legal rights regardless of whether it is separable.

IAASA's desk top survey identified eighteen different types of intangible assets recognised by issuers amounting to €5.7bn (2014/15: €4.2bn). The survey also indicated that the total amortisation charge in the year against intangible assets amounted to €635m (2014/15: €528m).

5.4. Share-based payments - a survey (October 2016)

IAASA, Ireland's accounting enforcer, has undertaken a desk top survey of issuers' equity settled share-based payment disclosures. This publication presents the results of that desk top survey.

IFRSs define an equity settled share-based payment transaction as a transaction in which the entity:

- (a) receives goods and services as consideration for its own equity instruments (including shares or share options), or
- (b) receives goods or services but has no obligation to settle the transaction with the supplier.

IAASA's desk top survey identified 24 issuers which recognised share-based charges/credits in their most recent financial statements. The total net share-based payment charge recognised by those 24 issuers included in the survey amounted to €183m (2014/15: €121m). The survey also indicated that the total share option reserve recognised by issuers in their most recent financial reports amounted to €437m (2014/15: €374m).

5.5. Survey on the application of IFRS 13 Fair Value Measurement by Irish companies (November 2016)

IAASA undertook a desk-top survey of the fair value judgements made by issuers' directors in measuring the amounts to be recognised on the Statement of Financial Position (balance sheet) in respect of:

- (a) intangible assets acquired; and
- (b) financial assets acquired and financial liabilities assumed.

The amount of intangible assets (excluding goodwill) acquired by issuers during fiscal 2015 was amounted to €1,363m. IAASA identified that there is room for improvement in issuers' key fair value judgements and disclosures. Full details of the findings can be found on the IAASA website.

6. International cooperation

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

IAASA cooperates with other EU national financial reporting enforcers through the ESMA sponsored EECS. The objective of EECS is to coordinate the enforcement activities in the EU/EEA countries in order to increase convergence amongst European national accounting enforcers and contribute to fostering investor confidence. IAASA also attends the quarterly meetings of ESMA's Corporate Reporting Standing Group to which the EECS reports.

IAASA's Head of Financial Reporting Supervision is a member of the EECS Agenda Group. Accordingly, IAASA has a direct input into the selection of emerging cases and decisions as tabled by EU national financial reporting enforcers for discussion at EECS plenary meetings.

As part of the regular activities of EECS, in 2016 IAASA:

- a) supplied information for ESMA publications and conducted surveys on the application of IFRS across the EU from an Irish perspective;
- b) attended all 9 (2015: 8/8) EECS plenary meetings held in 2016 and actively participated in the consideration of issues brought to EECS by other members;
- c) submitted 10 (2015: 16) decisions to the EECS database. The subject matter of these decisions is set out in Appendix 6;
- d) presented 4 (2015: 3) decisions to the plenary meetings for discussion. The subject matter of these decisions is set out in Appendix 6;
- e) submitted and presented 4 (2015: 4) emerging cases to the plenary meetings for discussion. The subject matter of these emerging cases is set out in Appendix 6; and
- f) presented the following IAASA publications at the EECS plenary meetings:

- *Policy Paper on Publication of IAASA's Financial Reporting Enforcement Findings* (17 July 2015);

- *Observations on selected financial reporting issues issuers' financial years ending on or after 31 December 2016* (October 2016); and

- *Survey on the application of IFRS 13 Fair Value Measurement by Irish companies* (November 2016).

6.2. Sub-group of EECS on Accounting of Financial Institutions

IAASA has a representative on the EECS sub-group addressing Accounting of Financial Institutions. That sub-group discusses accounting issues related to accounting by financial institutions including implementation of IFRS 9 and the application by banks of the revised impairment model.

6.3. EECS Deferred Tax Asset Working Group IAS 12

IAASA has a representative on the EECS IAS 12 Deferred Tax Asset working group addressing accounting for deferred tax assets for losses carried forward. That sub-group will build on the information arising from recent EECS decisions and discussions with IFRS IC. The objective is to assess further steps to foster supervisory convergence in the application and enforcement of deferred tax losses carried forward. The initial meeting of the working group took place in October 2016 and the work of the group is ongoing at this time.

6.4. CRSC Task Force on IFRS 13 Fair Value Measurement

IAASA has a representative on the Task Force on IFRS 13 *Fair Value Measurement*. The work of the Task Force includes the analysis of the application of IFRS 13 by a selection of European issuers through a desk-top questionnaire. Output of the task force will include the provision of a list of key disclosure and measurement issues to highlight to the IASB. The initial meeting of the working group took place in November 2016 and the work of the Task Force is ongoing at this time.

6.5. Cooperating in the development of financial reporting standards

IAASA continues to act as an observer at the Corporate Reporting Council (formerly: the Accounting Council) meetings of the FRC. The FRC prepares the financial reporting standards known as UK or Irish GAAP and these are used by the majority of Irish entities.

One of the principal reasons for IAASA having observer status at the Corporate Reporting Council in the first instance is to enable IAASA to discharge its statutory remit to cooperate with interested parties in the development of financial reporting standards. It is IAASA's view that observer status facilitates the identification at an early stage of issues that might be of particular interest or relevance in an Irish context.

7. Advocacy activities

7.1. Publications during the year

IAASA issued nine publications during 2016, i.e:

- *Survey on the application of IFRS 13 Fair Value Measurement by Irish companies* (November 2016);
- *Share-based payments – a survey* (October 2016);
- *Observations on selected financial reporting issues - years ending on or after 31 December 2016* (October 2016);
- *Recognition of intangible assets and scale of acquisition activity – a survey* (September 2016);
- *Survey of issuers' defined benefit pension scheme assumptions* (August 2016);

- *Operating lease commitments – a survey of operating lease commitments by Irish equity issuers* (July 2016);
- *Information Note: Consideration of the Impact of Brexit for issuers' half yearly financial reports* (July 2016);
- *Financial reporting decisions* (March 2016);
- *Financial reporting decisions* (January 2016); and
- *Snapshot of IAASA's financial reporting enforcement activities in 2015* (January 2016).

7.2. Stakeholder engagement, presentations and publications

In 2016, IAASA continued to engage with its stakeholders. These included the Central Bank, the Department, ICAI, ESMA, FRC, IFRS-IC and other accounting enforcers.

During the year the Head of Financial Reporting Supervision contributed an article (2015: 2 articles) to professional publications:

Article title	Publication	Issue
<i>IAASA 2016 Observations</i>	<i>Accountancy Ireland</i> (published by the Institute of Chartered Accountants in Ireland)	December 2016

FRSU gave a presentation titled *IAASA Observations on Annual Reports* to Chartered Accountants Ireland Leinster Society at the Irish Stock Exchange premises in September 2016 as part of that Society's evening event "Creating a Winning Annual Report".

CHAPTER 2

Regulatory oversight and supervision of the audit
and accountancy profession

1. Introduction

This Chapter outlines IAASA's activities during the year to oversee the regulatory functions of the RABs applied to statutory auditors and to examine and promote improvements in the quality of the PABs regulatory activities.

The Act and SI 312 provide that IAASA's principal functions relating to the PABs include:

- oversight of the RABs' performance of the regulatory functions assigned to them in respect of statutory auditors;
- approval of the PABs' constitutional documents and other related rules, regulations and standards applying to their members; and
- supervision of the PABs' investigation and disciplinary processes.

2. Overview of supervisory activities

2.1. PABs

A PAB is an accountancy body that comes within IAASA's supervisory remit. There are currently nine PABs:

- **ACCA** Association of Chartered Certified Accountants;
- **AIA** Association of International Accountants;
- **CIMA** Chartered Institute of Management Accountants;
- **CIPFA** Chartered Institute of Public Finance and Accountancy;
- **CPA** Institute of Certified Public Accountants in Ireland;
- **ICAEW** Institute of Chartered Accountants in England and Wales;

- **ICAI** Institute of Chartered Accountants in Ireland;
- **ICAS** Institute of Chartered Accountants of Scotland; and
- **IIPA** Institute of Incorporated Public Accountants.

Details of the PABs' membership, student numbers, public practice profiles and their regulatory activities during the year are set out in a separate publication entitled *Profile of the Profession 2016*, available on the IAASA website.

2.2. RABs

Six of the nine PABs are also RABs i.e. ACCA, CPA, ICAEW, ICAI, ICAS and IIPA. RABs are responsible for authorising their members/member firms to practice as auditors. In addition to approvals and registration, SI 312 assigns responsibility for the following tasks in respect of statutory auditors and audit firms to the RABs:

- continuing education;
- approval of the PABs' constitutional documents (Section 4);
- quality assurance reviews of statutory auditors and audit firms in relation to audits of entities that are not PIEs; and
- investigations and discipline (other than those investigations which must be undertaken directly by IAASA - Chapter 3 refers).

SI 312 also provides that IAASA is responsible for the oversight of the RABs' performance of these tasks.

Details of the RABs' auditor members and further information on their regulatory activities, as assigned by SI 312, are provided in the Annual Audit Programme and Activity ('AAPA') Report, which is contained in Chapter 5 of this Report.

2.3. Supervisory activities

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

- supervisory visits and review meetings;
- approval of the PABs' constitutional documents and attachment of conditions to the RABs' recognitions;
- complaints handling and Section 933 enquiries;
- the PABs' annual return process, the results of which are summarised in the *Profile of the Profession 2016*, available on the IAASA website and the AAPA Report contained in Chapter 5 of this report.

IAASA's activities in the area of general supervision of the accountancy and auditing profession also encompass:

- responding to queries from members of the public;
- cooperating with IAASA's EU counterparts, as well as with other national authorities; and
- acting as advisor to the Minister, in particular regarding the entry into force of SI 312 and the Regulation (EU) No 537/2014 ('the EU Audit Regulation').

3. Supervisory visits and review meetings

3.1. Overview of supervisory visits

IAASA issued supervisory visit reports to four RABs during the year. The primary focus of three of these reports was the RABs' processes for the licensing of auditors and one report dealt mainly with a RAB's quality assurance system for auditors. Arising from these visits, a number of common issues were identified across the RABs, as detailed in Section 3.2 below.

In addition, two on-site supervisory visits relating to the PABs' investigation and disciplinary processes were conducted during the year and a

summary of the initial findings arising from these visits is set out in Section 3.3 below.

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

Two of the supervisory visits commenced in 2016 were undertaken jointly with the FRC. While IAASA and the FRC are subject to separate legislative frameworks, both regulators have responsibility for the oversight of the regulatory activities of ACCA, ICAEW, ICAI and ICAS in respect of statutory auditors. Joint supervisory visits allow a pooling of regulatory resources, enhanced consistency of approach and an efficiency for the relevant RABs in dealing with one review.

3.2. Licensing of Auditors – common findings and recommendations

Given the level of reliance placed by various stakeholders on the work performed by auditors, it is essential that the RABs have robust and efficient licensing systems in place to ensure that they approve only those members with adequate skills and experience and who are of good repute to provide statutory audit services.

In general, the auditor licensing processes of the reviewed RABs were found to be of a good standard and carried out in accordance with the respective RABs' approved regulations and procedures.

However, a number of common areas where there is scope for improvement were identified and a summary is set out below. While the findings arise from visits to three of the six RABs, these recommendations should be considered by all six RABs to ensure that any potential areas for improvement are identified. The RABs' actions will be monitored as part of IAASA's ongoing supervisory activities, such as review meetings and future supervisory visits.

3.2.1. Assessment of audit experience

It was observed that applicants for audit approval were permitted to submit information in a way that did not always contain sufficient detail to adequately assess the applicant's audit experience. IAASA's principal recommendations in this respect are listed below.

- o Applicants should be required to provide adequate information regarding their audit experience, including the number and nature of their audit clients, their role in those audits, the audit competencies they possess, their level of proficiency in each and the length of their audit experience.
- o Audit experience should normally be certified by the auditor who supervised that particular training, as he/she is in the best position to verify the information provided by the applicant. However, if this is not possible, the applicant should be required to document the reason(s) for certification by a different auditor.
- o If an applicant is unable to complete some or all of the experience record to an appropriate standard, the experience that is not adequately recorded should not count towards the total experience claimed.
- o the use of a written checklist, which should also contain a conclusion on whether to grant approval and be subject to review on at least a sample basis by senior licensing staff or the relevant regulatory committee; and
- o the necessity to verify compliance with all criteria for approval in advance of awarding audit authorisation rather than on a subsequent quality assurance visit.

3.2.2. Assessment of applications

Each RAB must undertake an adequate assessment of an applicant's training and experience, fit and proper status, professional indemnity insurance ('PII'), continuity of practice and other criteria as appropriate, including the structure and ownership of firms. While comprehensive checks on audit applications were normally carried out in practice, they were not always evidenced by the RAB. IAASA has made a number of recommendations in this respect, including:

3.2.3. Higher risk applications

Whilst it was observed that the RABs' licensing staff appear to be familiar with the relevant processes, it was not always apparent that they adequately considered the risks associated with the licensing of auditors, particularly for those applicants where an element of judgement was required. In this context, IAASA has recommended that:

- o each RAB should identify higher risk categories of applicants (e.g. those with limited recent audit experience; recently qualified sole practitioners; individuals whose practical experience includes experience gained prior to admission; and individuals subject to disciplinary proceedings);
- o for each category of higher risk applicant, consider what additional verifications may be appropriate when assessing such applications as well as the impact such risks may have on their eligibility for appointment as an auditor;
- o where an application would not appear to comply with the requirements for approval, it is referred to the relevant committee for consideration; and
- o where discretion is permitted to staff, the scope of that delegation should be specified, and the reasons for staff waiving any requirements

should be documented, subject to senior management review, and the relevant committee should be advised of such cases.

3.2.4. Conditions on approval

IAASA also made recommendations in relation to the attachment of terms or conditions to an auditor's approval, where he/she has been assessed as high risk, as detailed below.:

- o The RAB should consider the imposition of conditions such as the submission of hot file reviews, an early quality assurance visit or completion of audit relevant CPD.
- o The applicant should be notified of the terms and condition(s) upon the award of audit authorisation and they should be subject to appropriate monitoring and follow-up on a timely basis.
- o Approval by senior management/committee should be required before terms or conditions are lifted.

3.2.5. Improvements to RABs' forms and processes

A number of instances were identified where the RABs' forms could be enhanced to enable ease of review and verification of applicants' eligibility, as well as ensuring consistency between applications and providing evidence of the judgements made by RAB staff. For example, IAASA recommended the inclusion of a dedicated section regarding fitness and probity in all application forms, including questions regarding the applicant's disciplinary and regulatory history, financial position and tax compliance.

In addition, it was recommended that in some instances the RABs' auditor licensing process could be further enhanced by increased communication between licensing staff and other regulatory units (e.g. conduct team or quality assurance team).

IAASA also recommended that the RABs ensure their process documentation details the actions to be taken in circumstances

where incorrect or misleading information is included on an individual's application form and the impact this may have on the individual's application.

3.2.6. Members of other RABs

Where a firm applies to a RAB to appoint an individual who is a member of another RAB as an auditor within the firm, the RAB is required to undertake appropriate checks to ensure that it is in order to authorise that individual as an auditor. In this context, each RAB should have a policy outlining the extent to which it places reliance on other RABs and how it satisfies itself as to the appropriateness of this reliance. At a minimum, a RAB should request the relevant accountancy body to provide confirmation that the applicant is currently authorised to audit (or not precluded from auditing) and a member in good standing of that body. This should be re-confirmed on at least an annual basis, as well as CPD compliance, to ensure it remains in order for the RAB to authorise that individual as an auditor.

3.3. Investigation and disciplinary processes - initial findings

As noted in Section 3.1 above, on-site supervisory visits relating to the investigation and disciplinary processes of two PABs were conducted during the year. Drafting of the final reports in respect of these visits was ongoing at year end and since then one further visit to another PAB has been conducted. Some common areas identified during the reviews, where it is intended to provide recommendations to the PABs are:

- avoiding unnecessary delays in the complaints process;
- improvements to management information and disciplinary statistics, including the use of key performance indicators;
- documentation of policies, including the level of oversight required and consideration of previous complaints; and
- communication with other regulatory units within the PAB, including those responsible for licensing and quality assurance.

3.4. Desktop review – quality assurance cycle

Since May 2010, the RABs are required under law to conduct a quality assurance review of each statutory auditor that does not have any PIE audit clients at least once every six years.

As six years has passed since this requirement became effective, a desktop review of the RABs' compliance with the quality assurance inspection cycle was undertaken during the year. The review was completed by means of a written questionnaire, the results of which are summarised in Table 2.1.

The RABs reported substantial compliance with the quality assurance cycle, with the majority of statutory auditors subject to at least one quality assurance visit within the previous six years. This is a welcome outcome and reflects the efforts of the RABs' quality assurance teams. For a number of RABs, the target was a demanding one, requiring the application of extra resources in the last two years to achieve the cycle.

In total, there were 41 statutory auditors across four of the RABs which should have been visited by 19 May 2016 where a quality assurance review had not been conducted. By the end of September 2016, 10 of these had been removed from the Statutory Auditor Register and 17 had been subject to a quality assurance visit. Of the 14 remaining statutory auditors, 12 (10 in ICAI, one in ACCA and one in CPA) had their visits postponed due to long term illness while two ICAI auditors were in the process of surrendering their audit registration.

This matter has been discussed with the relevant RABs and, in particular, the necessity for the timely scheduling of visits to allow for any delays and minimise the risk of a visit not being completed within the maximum six year period. Also:

- the RABs have been requested to ensure that, where a quality assurance visit has been postponed beyond the six year cycle due to long term illness, the member has taken appropriate steps to provide that their audit clients' needs are being properly met. It is IAASA's expectation that such arrangements would most likely involve the performance of those audits by an alternative statutory auditor; and
- where relevant, the RABs have been advised that a member's stated intention to surrender audit registration does not negate the requirements for a quality assurance visit at least once every six years.

3.5. Periodic review meetings

IAASA met with representatives of each PAB at least once during the year, with a total of 17 review meetings held in 2016. The purpose of such meetings is, amongst other things, to:

- review progress with outstanding actions and obtain updates on all outstanding regulatory matters, such as amendments to the PABs' constitutional documents;

Table 2.1 Quality assurance cycle at May 2016

	Total	ACCA	CPA	ICAEW	ICAI	ICAS	IIPA
Statutory auditors at May 2016	5,207	483	339	3,236	868	193	88
<i>Of which:</i>							
Subject to at least one quality assurance visit since May 2010	(4,795)	(446)	(317)	(3,012)	(765)	(185)	(70)
Registered since May 2010 i.e. not required to be visited by May 2016	(371)	(22)	(21)	(221)	(81)	(8)	(18)
Visits outstanding	41	15	1	3	22	-	-

- discuss progress on the implementation of IAASA's recommendations for improvements where IAASA has identified potential weaknesses in the manner in which the PABs regulate and monitor their members;
- identify and discuss forthcoming developments, including strategic initiatives entered into by the PABs and changes to their education processes;
- consider the impact of any recent changes to relevant Irish legislation for the PABs and their members; and
- discuss regulatory matters of mutual interest, such as the potential consequences of Brexit and the professional indemnity insurance requirements for liquidators (Chapter 4 refers).

In addition, bilateral meetings were held with the PABs as and when required.

4. Approval of the PABs' constitutional documents and attachment of conditions

IAASA approved 32 constitutional documents during the year, which related to the ACCA, CIMA, CPA, ICAEW, ICAI and the ICAS. The review of a further eight constitutional documents was ongoing at 31 December 2016.

Section 931 of the Act provides that IAASA may attach such terms or conditions as it considers necessary to the recognition of a RAB. No new conditions were imposed during the year and the Authority continued to monitor the RABs' compliance with the extant conditions.

5. Complaints handling and statutory enquiries

5.1. Overview

During the year, IAASA responded to 12 complaints received from members of the public and provided them with assistance and information about IAASA's and the PABs' respective roles in the processing of complaints. The principal issues raised by complainants related to dissatisfaction with aspects of the PABs' investigation and disciplinary procedures and alleged non-compliance with the PABs' bye-laws.

Although IAASA has no statutory role in facilitating the resolution of individual complaints made to the PABs or in operating a system of final appeal against decisions taken by the PABs in relation to complaints, it does have a statutory role to oversee the PABs' compliance with their approved investigation and disciplinary procedures. Therefore, where potential issues in relation to a PAB's handling of a complaint come to its attention, IAASA considers such matters in the context of its ongoing supervision of that PAB and, if concerns arise, it may take a range of supervisory action as it considers appropriate in the circumstances.

In addition, section 905(2) of the Act provides that IAASA may conduct enquiries into whether a PAB has complied with its approved investigation and disciplinary procedures and, where appropriate, impose sanctions. The decision as to whether to initiate such an enquiry is at the sole discretion of the Board of the Authority. An overview of the section 933 process is available on the IAASA website and Table 2.2 provides a summary of the section 933 enquiry activity during the year.

Table 2.2 Summary of section 933 enquiry activity

	Preliminary Enquiry Stage	Full Enquiry Stage	Total
S.933 enquiries ongoing at 1 January 2016	1	2	3
Enquiries completed during the year	(1)	(1)	(2)
S.933 enquiries ongoing at 31 December 2016	-	1	1

One full enquiry was completed during the year following High Court confirmation of its findings. It was determined that the ICAI had failed to comply with its approved investigation and disciplinary procedures. The sanctions applied included a fine of €15,000 and a requirement for the ICAI to undertake a fresh investigation.

In addition, one preliminary enquiry was concluded during 2016, following the agreement of terms of settlement between the Authority and the ICAI. It was determined that the ICAI had failed to comply with its approved investigation and disciplinary procedures. The sanctions agreed included a fine of €15,000 and a requirement for the ICAI to refer certain decisions of its Complaints Committee to an independent reviewer.

Further details regarding the outcome of these enquiries are available on the IAASA website.

5.2. Supervision of PABs' responses to matters of public interest

As detailed in the 2015 Annual Report, IAASA considered the Chartered Accountants Regulatory Board's ('CARB') *Report on the reviews of the audits of the provisions for impairments by certain Financial Institutions for the financial years ended between 30 September 2008 and 31 March 2009*. CARB was the then regulatory arm of the ICAI. The reviews were carried out at IAASA's instigation and in the context of ICAI's responsibility to regulate and monitor its members and member firms. IAASA also advised ICAI that the work should be overseen by an independent expert, possessing relevant experience and preferably sourced from outside the jurisdiction.

IAASA notes the many changes in the framework governing the preparation of financial statements and their audit in the period since these audits took place. Some of these have arisen as a direct response to the financial crisis and include changes to the accounting standards, auditing standards, audit methodology in the firms concerned and audit reform legislation. In particular, since June 2016, responsibility for the inspection and sanctioning arising from the investigation of PIE audits including those of banks transferred from

the ICAI to IAASA as is further discussed in Chapter 3 and which is an important enhancement of the oversight of the audit profession. Additionally, arising from the banking crisis, there are a number of outstanding disciplinary matters in relation to members of the PABs, and the Authority will continue to supervise the ICAI's regulatory responses to those and related issues.



CHAPTER 3

Audit quality unit

1. Introduction

This Chapter details IAASA's activities during the year in relation to the Audit Quality Unit ('AQU'), which comprises an Audit Inspections Team ('AIT') and Audit Standards Team ('AST'). Both functions are new functions, which commenced on 17 June 2016, following the implementation of the EU Audit Reform legislation in Ireland.

2. Audit Inspections Team

2.1. Introduction

On 17 June 2016, SI 312 was enacted and on that date IAASA assumed responsibility for inspecting the quality of audit work performed by the auditors of PIEs. Within IAASA, the AIT is responsible for this function. The responsibility for the quality assurance of auditors of PIEs had previously rested with the RABs.

2.2. Staffing

IAASA has obtained sanction for a Head of Unit, nine Audit Inspectors and one Administrative Executive. At 31 December 2016, IAASA employed a Head of Unit, two Audit Inspectors and one Administrative Executive.

2.3. Audit reform legislation

During the year, IAASA liaised extensively with the Department in relation to the transposition of the EU Audit Reform legislation during the process of drafting SI 312. SI 312 in conjunction with the EU Audit Regulation sets out a number of changes that affect both the performance and oversight of PIE audits. The new measures included additional requirements for group auditors, updates on independence requirements, audit rotation, provision of non-audit services as well as a broadening of the functions, roles and responsibilities of the PIEs' audit committees. The EU Audit Regulation also placed additional requirements on IAASA for monitoring and reporting on the audit market as well annual publication of a PIE auditor listing to enhance competition and transparency in the market.

2.4. Audit inspections methodology

Under Regulation 107 of SI 312, IAASA is responsible for the quality assurance of the statutory audit of PIEs. The AIT's overall objective is to inspect PIE auditors' work and to promote improvements in the quality of auditing of PIEs. At 31 December 2016, there were ten audit firms confirmed as engaged in the audit of approximately 1,200 PIEs in Ireland. During the year, IAASA commenced one audit inspection, which was in progress at year-end.

Prior to the commencement of SI 312, in addition to liaising in relation to the transposition, the AIT focused on preparation for commencement in audit inspection activities. This involved researching the audit inspection regimes of other countries and developing processes, procedures and inspection working papers for use in Ireland. Additionally, the team identified, sourced and implemented an appropriate IT system for recording the results of audit inspections.

Each PIE audit firm is required to be inspected, at a minimum, once every three years, save where an audit firm audits only PIEs who are either 'small' or 'medium-sized undertakings' (as defined in points (17) and (18) of Article 2 of Directive 2006/43/EC), in which case, the audit firm must be inspected every six years. A quality assurance inspection includes an assessment of the internal quality control system of the audit firm and testing the effectiveness of that internal quality control system, through compliance testing and review of individual audits of PIEs.

IAASA has implemented the Common Audit Inspection Methodology ('CAIM') for assessing the internal quality control systems of PIE audit firms. CAIM was developed within the European Audit Inspection Group, a pan-European platform for cooperation among audit regulators, to develop and promote a common audit inspection methodology across member states. An overview of the methodology can be found here. IAASA has also developed a suite of working papers for the assessment of individual audits of PIEs.

A report will be issued to the audit firms in respect of each individual audit inspected which will

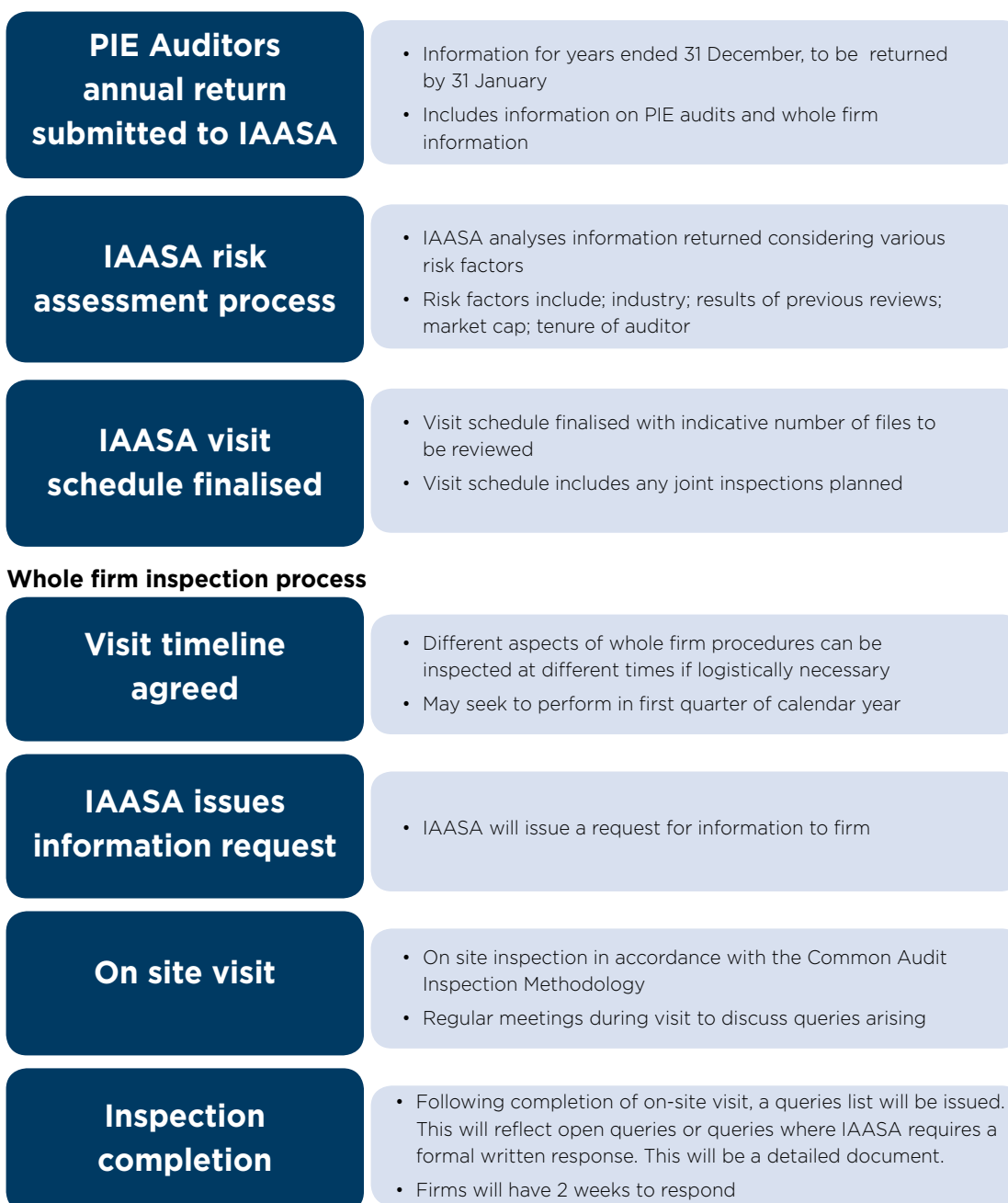
⁴ A PIE is generally defined as a listed entity, credit institution or insurance undertaking

contain details of the findings of that inspection and recommendations for improvement. Additionally, following each inspection, an overall firm inspection report will be issued which will detail the findings of the inspection of the internal quality control system and recommendations for improvement, as well as a summary of the

individual audits inspected.

The diagram below outlines the stages of the IAASA inspection process from pre-inspection to completion.

Pre-inspection process



Audit Inspection process**Audit selection completed**

- Audits selected for review based on risk
- 2 weeks notice will be given
- No changes may be made to the file following notification
- For logistical reasons, IAASA likely to return to firm several times through the year following completion of the audits selected

On site inspection

- Each audit review expected to take between 1 and 3 weeks
- Inspection will involve a detailed review of a number of sections of the audit
- Regular meetings throughout visit between inspector and audit team

Inspection completion

- Following completion of on-site visit, a queries list will be issued, as per whole firm inspection.
- Firms will have 2 weeks to respond
- A closing meeting will be scheduled within 2 weeks of responses.
- It is intended to rate each audit inspected, but this may not happen initially

Inspection completion**Overall inspection report**

- Overall inspection report compiled summarising results of whole firm inspection and all files inspected in the year
- This will be issued to firm prior to finalisation
- It is intended that this report will be published, but this may not happen initially

2.5. International Cooperation

IAASA continued to liaise with various international authorities as part of its current remit in this area. This included involvement in various fora together with bilateral engagement with other authorities in order to progress Memoranda of Understanding. Those engagements included liaising with the:

- UK Financial Reporting Council including its Audit and Assurance Council;
- Committee of European Auditing Oversight Bodies ('CEAOB');
- International Forum of Independent Audit Regulators ('IFIAR');
- US Public Company Accounting Oversight Board ('PCAOB'); and
- Swiss Federal Audit Oversight Authority.

During the year, following enactment of the EU Audit Regulation, the European Group of Audit Oversight Bodies transitioned to the CEAOB. IAASA was a member of a sub-group set up to prepare for the transfer of responsibilities. This sub-group drafted the charter and work plan for the CEAOB and its sub-groups. IAASA is now a member of each of the permanent sub-groups of the CEAOB, which are made up of the following:

- Sub-group on International Equivalence and Adequacy whose remit is to contribute to the technical assessment of the equivalence of the systems of public oversight, quality assurance, investigation and penalties of third countries. The objective of the sub-group is to promote investor protection globally to the benefit of cross-border investment and high-quality audits.

- Inspections sub-group. The purpose of the sub-group is to further enhance the cooperation and consistency among CEAOB members on the subject of inspection activity and to have effective communications with the audit firms and other third parties, with the aim of supporting the objective of the CEAOB to improve audit quality and confidence in audits.
- International auditing standards sub-group. The purpose of the sub-group is to further enhance cooperation and consistency in audit oversight in the European Union regarding the adoption and use of standards on professional ethics, internal quality control of audit firms and auditing and to contribute to technical examination of international auditing standards, including the processes for their elaboration, with a view to their adoption.
- Sub-group on enforcement. The purpose of the sub-group is to facilitate the exchange of information, expertise and best practices in the area of investigations and sanctions in order to promote convergence on enforcement matters.
- Market Monitoring sub-group whose purpose is to facilitate the monitoring of the quality and competition of the market for providing statutory audit services to PIEs, relating to assisting the Commission in preparing joint reports. The sub-group contributes to the convergence and coordination of the monitoring carried out by national authorities.

IAASA currently holds the chair of the Market Monitoring sub-group.

2.6. Registration of third country auditors and audit entities

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

auditors from certain third countries, as designated by the European Commission, are exempt from this requirement for a transitional period on condition that they provide specific limited information to IAASA ('transitional registration').

During the year, IAASA renewed the full registration of 11 (2015: 11) third country audit firms.

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

3. Audit standards for use in Ireland

3.1. Introduction

SI 312 has conferred upon IAASA responsibility for the adoption of standards on auditing, professional ethics and internal quality control for audits of financial periods beginning on or after 17 June 2016. For audits of financial periods beginning before 17 June 2016, auditors in Ireland were required to apply the FRC Ethical Standards 1 - 5 and International Standards on Auditing (UK and Ireland), which were mandated by their respective RABs.

During 2016, IAASA engaged with various stakeholders and announced its intention to temporarily adopt an amended version of the FRC Ethical Standard and International Standards on Auditing (UK) 2016 and to carry out a public consultation in relation to the longer term options for adopting standards for use in the Irish market.

As at 31 December 2016, IAASA was continuing negotiations on the license of the FRC standards. Additionally, the public consultation was issued and responses received were under review.

CHAPTER 4

Liquidator registration

1. Introduction

This Chapter details IAASA's activities during the year in relation to its responsibility in respect of liquidators.

2. Responsibilities in respect of liquidator registration

Sections 633 and 634 of the Act confer a number of responsibilities upon IAASA in relation to liquidators. IAASA has a responsibility in three main areas as follows:

- *category 5* in relation to the authorisation of persons with practical experience of windings up & knowledge of the law;
- *category 3* liquidators which applies to members of other professional bodies recognised by IAASA; and
- in relation to professional indemnity Insurance ('PII') cover, IAASA has responsibility for prescribing the amount and terms of an indemnity for all liquidators.

3. Progress during the year in relation to liquidator registration

3.1. Consultation outcome published

IAASA ran two consultation processes in relation to liquidators and the results in respect of both consultations were published in 2016. The first consultation was in relation to the amount and terms of the PII. These results were published and Statutory Instrument 127 of 2016 *Companies Act 2014 (Professional Indemnity Insurance) (Liquidators) Regulations 2016* was drafted and introduced in the aftermath. The second consultation was in relation to the liquidator

applications. IAASA has published a consultation paper regarding receiving applications from and granting authorisation to persons with adequate relevant experience of the winding up of companies and knowledge of relevant law. Following this second consultation IAASA has developed an applications process for category 5 applications.

3.2. Category 5 Applications – Procedure Finalised

IAASA has finalised its liquidator application procedures following a consultation. However, IAASA is awaiting a legislative amendment before it has the power to prescribe the application form and fee. Without this power, applications cannot be finalised or any decisions made on authorising liquidators. There is no timeline as yet for the making of this legislation although the Department has advised IAASA that the passing of the legislation is a priority. IAASA is working internally to be in a position to launch the category 5 applications once the necessary legislative amendments are finalised.

3.3. Professional Indemnity– Continued Review

Under Section 634(1) of the Act, IAASA has responsibility for prescribing the amount and terms of an indemnity (professional indemnity cover) for all liquidators, without which a person cannot act as liquidator. There is an ongoing obligation to review the amount and terms prescribed. In that regard IAASA will continue to keep this matter under review.

3.4. Category 3 – Under review

There have been no applications to IAASA to date under category 3. IAASA is reviewing this category internally and is in a position to receive applications under this category if required.

IAASA's responsibility in relation to liquidators is an ongoing matter and in that regard IAASA strives to ensure all relevant information and updates are available on its website

CHAPTER 5

Annual audit programme and activity report

1. Introduction

SI 312 designates IAASA as the competent authority with overall responsibility for the oversight of statutory auditors in Ireland. This Chapter sets out the information prescribed in Regulation 34 of SI 312, which requires IAASA to prepare an Annual Audit Programme and Activity Report ('AAPA') containing:

- an activity report on the functions in respect of statutory auditors performed by the RABs during the year (Section 2);
- IAASA's work programme for the next year regarding its oversight functions (Section 3);
- an activity report regarding IAASA's functions under the EU Audit Regulation (Section 4);
- IAASA's work programme for the next year regarding its functions under the EU Audit Regulation (Section 5); and
- the overall results of the quality assurance system for the year (section 6).

2. Functions performed by the RABs

2.1. Overview

As detailed in Chapter 2, SI 312 assigns the performance of certain functions in respect of statutory auditors to the RABs subject to oversight by IAASA, namely:

- Approvals and registration;
- Continuing education;
- Quality assurance reviews of statutory auditors and audit firms in relation to audits of entities that are not PIEs; and
- Investigations and discipline.

The RABs' activities in these areas during the year are summarised in sections 2.2 to 2.5 below. Further information is provided in a separate publication *Profile of the Profession 2016*, which also details their non-audit activities and is

available on the IAASA website. In addition, details of IAASA's oversight activities in respect of the RABs' statutory auditor functions are set out in Chapter 2 and form part of this AAPA report.

IAASA has relied on the RABs to provide the information set out in Tables 5.1 to 5.4 below. In analysing this data it is important to bear in mind that, in addition to differences in the structure and operations of the six RABs, there may be differences in their interpretation of the data requested. Consequently, care is needed in interpreting the information presented below and direct comparison may not be meaningful in some cases.

2.2. Approval and registration of statutory auditors

Given the importance of the statutory audit of a financial report, the significant responsibility entrusted to the auditor and the expertise required to undertake the role, is vital that only those individuals with adequate skills and experience and who are of good repute are authorised to provide audit services in the State. To that end, under law, the RABs are authorised to approve their members/member firms as statutory auditors/statutory audit firms in accordance with the criteria for approval set out in SI 312. In addition, each RAB sets out additional requirements in relation to that approval and requires members and firms to comply with those requirements on an ongoing basis.

As detailed in Table 5.1, at 31 December 2016 there were 5,031 statutory audit firms approved to provide audit services in the State, a decline from 5,272 at the end of 2015. During 2016, the RABs accepted 170 applications for new audit firm registrations, while 388 audit firms did not renew their registration and 19 firms had their registration withdrawn or suspended as a result of regulatory action. There were 1,381 registered statutory audit firms with offices in Ireland at 31 December 2016.

Reflecting the fact a number of auditors may work in the same audit firm, at 31 December 2016 there were 9,915 individuals authorised to act as auditors in Ireland.

Further details of the audit firms with offices in Ireland are provided in the *Profile of the Profession 2016*, available on the IAASA website.

Table 5.1: Movement in Statutory Audit Firms during 2016

	Total	ACCA	CPA	ICAEW	ICAI	ICAS	IIPA
Statutory audit firms registered at 1 January 2016	5,272	480	362	3,256	894	199	81
During the year:							
ADD: New applications for audit registration accepted	170	18	22	81	40	6	3
LESS: Audit registrations withdrawn /not renewed following a request from the statutory audit firm	(388)	(31)	(43)	(213)	(83)	(16)	(2)
Audit registrations withdrawn/suspended as a result of disciplinary or other regulatory action	(19)	(6)	(1)	(3)	(7)	-	(2)
Other	(4)	-	-	-	-	-	(4)
Statutory audit firms registered at 31 December 2016	5,031	461	340	3,121	844	189	76
Registered statutory audit firms with offices in Ireland at 31 December 2016	1,381	312	340	4	649	-	76
Total number of statutory auditors registered at 31 December 2016	10,591	602	427	7,439	1,481	555	87

2.3. Continuing education

To ensure that statutory auditors maintain their competence at a sufficient level, SI 312 obliges the RABs to attach a condition to the approval of all statutory auditors requiring them to complete sufficient continuing education to maintain their theoretical knowledge and skills at an appropriate level, particularly in relation to auditing.

The RABs adopt a number of approaches to ensure that auditors complete sufficient audit relevant Continuing Professional Development ('CPD'), including:

- completion of a CPD annual compliance declaration;

- desk-reviews of auditors' CPD records, on a random and/or risk assessment basis; and
- reviews of auditors' CPD records as part of quality assurance reviews.

Where the CPD completed is found to be insufficient, the RABs require the auditor to take remedial action and, in more serious cases, they may take disciplinary or regulatory action against the auditor. Table 5.2 provides a summary of the CPD reviews of auditors undertaken during 2016 by the RABs.

Table 5.2: Monitoring of CPD undertaken by statutory auditors

	Total	ACCA	CPA	ICAEW	ICAI	ICAS	IIPA
Risk-based desktop reviews	211	55	33	46	75	2	-
Random desktop reviews	93	5	2	-	-	-	86
Reviews of CPD records as part of quality assurance visits	1,495	43	109	1,158	94	69	22
Other CPD-related monitoring activities	408	-	-	408	-	-	-
Total	2,207	103	144	1,612	169	71	108
Number of CPD records found to be unsatisfactory	17	2	-	-	11	2	2
Number of statutory auditors where regulatory/disciplinary action was instigated due to non-compliance with CPD requirements	4	-	-	-	2	2	-

2.4. Quality assurance systems

Once a member of a RAB has been approved as an auditor, it is important that the quality of the members' auditing services is monitored and, where deficiencies are identified, that adequate remedial action is undertaken on a timely basis. To that end, SI 312 confers a statutory responsibility on the RABs to operate a system of quality assurance of statutory audits (with the exception of the audits of PIEs which are directly inspected by IAASA as set out in Chapter 3).

Table 5.3 summarises the RABs' quality assurance activities during the year. A total of 936 on-site

quality assurance reviews to audit firms were completed, following which conditions, restrictions and/or penalties were imposed on 268 firms in order to address deficiencies arising. The conditions imposed ranged from a requirement to submit additional documentation to suspension or withdrawal of audit registration.

Additional information on the RABs' quality assurance systems, including the grades awarded and regulatory actions taken, is set out in the *Profile of the Profession 2016*, available on the IAASA website.

Table 5.3: Quality Assurance On-Site Reviews

	Total	ACCA	CPA	ICAEW	ICAI	ICAS	IIPA
Quality assurance on-site reviews open at 1 January 2016	189	29	25	105	23	-	7
ADD: Quality assurance on-site reviews commenced during 2016	882	69	73	542	138	38	22
LESS: Quality assurance on-site reviews concluded during 2016	(936)	(93)	(86)	(550)	(154)	(33)	(20)
Quality assurance on-site reviews open at 31 December 2016	135	5	12	97	7	5	9
Number of quality assurance on-site reviews where one or more conditions/restrictions/penalties were imposed	208	18	26	46	96	17	5

2.5. Investigative and administrative disciplinary systems

Where an auditor's conduct may have fallen short of the standards required, it is important that robust, timely and proportionate action is taken. To that end, SI 312 requires the RABs to institute arrangements to ensure that they have effective systems of investigations and penalties. There were 164 new cases concerning statutory auditors opened by the RABs in 2016 and a total of 166 cases were concluded, as detailed in Table 5.4. However, it is important to note that not all of these cases related to audit work but also concerned matters such as alleged breaches of

the RABs' Codes of Ethics, the provision of other professional services such as taxation or insolvency work, failure to cooperate with a RAB and breaches of company law.

Further information regarding the RABs' complaints processes, including an analysis of the nature of complaints received and the sanctions imposed, is set out in the *Profile of the Profession 2016*, available on the IAASA website.

Table 5.4: Movement in complaints relating to statutory auditors during 2016

	Total	ACCA	CPA	ICAEW	ICAI	ICAS	IIPA
Complaints outstanding at 1 January 2016	228	48	14	77	86	-	3
During the year:							
ADD: New cases arising during the year	162	34	13	64	34	6	11
LESS: Cases closed during the year by:							
Adverse finding made and sanctions or other penalties imposed	(69)	(14)	(4)	(36)	(13)	-	(2)
Adverse finding was made, but no sanctions or other penalties imposed	(15)	(10)	-	(2)	(2)	-	(1)
Adverse finding was not made	(77)	(18)	(9)	(26)	(19)	(3)	(2)
Concluded by conciliation	(3)	(3)	-	-	-	-	-
Other, including cases closed due to resignation of member	(2)	(1)	-	-	-	-	(1)
Cases closed	(166)	(46)	(13)	(64)	(34)	(3)	(6)
Complaints outstanding at 31 December 2016	224	36	14	77	86	3	8

3. 2017 Oversight Work Programme

3.1. Statutory auditors (RABs)

The principal tasks planned for 2017 in respect of IAASA's oversight of the RABs' performance of the functions assigned to them in SI 312 are:

- on-site supervisory reviews of three RABs to be completed, which will be focused on key regulatory tasks, and final supervisory review reports to be issued to three RABs;
- review and approval of the RABs' constitutional documents on request as they relate to auditor approval, quality assurance, CPD and/or investigation and disciplinary processes;
- conduct periodic review meetings with each RAB, including to ensure progress of action points arising and monitor their progress on the implementation of IAASA's recommendations;

- oversight of regulatory aspects of the RABs' key initiatives as arising;
- review of the RABs' regulatory plans and other publications;
- collation of the RABs' annual returns and publication of *Profile of the Profession 2016*; and
- continuing liaison with the FRC regarding the RABs within the remit of both competent authorities.

IAASA will also engage with the RABs in respect of the proposed revised regulatory model expected with the commencement of the Statutory Audits Bill 2017.

3.2. Third country auditors

IAASA will process third country auditor applications as they arise.

4. EU Audit Regulation Activity Report

4.1. Overview

The EU Audit Regulation requires that the competent authority in each member state, such as IAASA, shall conduct the following tasks:

- Quality assurance inspections of audits of PIEs;
- Investigations into PIE audits arising out of quality assurance inspections by the competent authority or referrals from other authorities; and
- Imposing sanctions on auditors pursuant to investigations of PIE audits.

4.2. Audit Inspections of PIE audits

IAASA's activities in this regard are set out in section 2 of Chapter 3.

4.3. Investigations and sanctions arising from PIE audits

IAASA did not investigate or impose any sanctions arising from PIE audits in 2016.

5. 2017 EU Audit Regulation Work Programme

5.1. Quality assurance system

The principal tasks planned for 2017 in respect of IAASA's quality assurance system are:

- Review and further refine risk assessment processes to identify the more significant risks in both audit firms and audited entities.
- Conduct annual programmes of inspections of audits utilising a range of approaches including focused, thematic and follow-up inspections to identify instances of material non-compliance

- Review and, as necessary, further refine audit inspection methodologies and procedures in line with emerging trends, changes in standards and developments in technology
- Engage with audit firms to secure improvements in quality of auditing and take formal enforcement measures where warranted
- Participate at the Committee of European Audit Oversight Bodies ('CEAOB') and International Forum of Independent Audit Regulators ('IFIAR')

5.2. Investigations and sanctions arising from PIE audits

In 2017, IAASA may investigate and impose sanctions arising from PIE audits, as appropriate.

6. Results of quality assurance system

6.1. IAASA's quality assurance system

As at 31 December 2016, IAASA had commenced, but not completed, a quality assurance review on a PIE audit firm.

6.2. RABs' quality assurance systems

In addition to the information set out in Section 2.4 of Chapter 3 above, details of the RABs' quality assurance activities during the year in respect of non-PIE audits and their outcome are provided in the Profile of the Profession 2016, available on the IAASA website. The RABs are also required by SI 312 to publish the overall results of their quality assurance reviews on an annual basis. This information is normally made available on the RABs' respective websites, links to which may be found on the IAASA website.



CHAPTER 6

Governance and structure

1. Legal structure

IAASA is a company limited by guarantee with the following 13 members of the company:

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

* Denotes a PAB

2. Organisational structure

2.1. Overview

By year-end, IAASA had 20 staff, structured into five units as follows:

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

2.2. Approved staff complement

The numbers, grades, and terms and conditions of IAASA's staff are determined by IAASA with the approval of the Minister, given with the consent of the Minister for Public Expenditure & Reform. Accordingly, any amendments to IAASA's approved staff complement require both Ministers' prior approval. In addition to this approval, the filling of any vacancy is subject to specific sanction by the Department. Vacancies persisted during 2016 despite public advertisements by open competition and the engagement of a professional recruitment partner.

Details of the approved, sanctioned and actual staff complements are set out in Table 6.1.

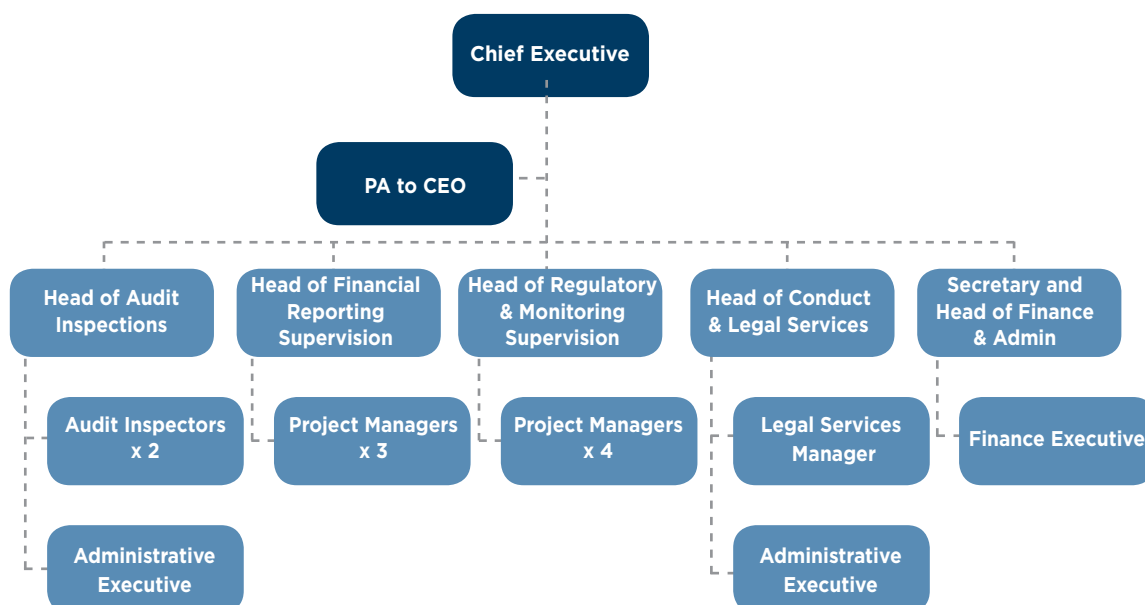
Table 6.1 Approved, sanctioned and actual staff complements as at year end

Grade	Approved	Actual
Chief Executive	1	1
Heads of Function	5	5
Team Leaders/Inspectors	15	2
Project/Policy Managers	9	7
Project/Administrative Executives	12	4
Clerical Support Staff	1	1
Total	43	20

The approved complement represents the numbers and grade which IAASA considers required to adequately discharge its current mandate. The Authority has been authorised by the Department to advertise 30 of these posts and IAASA was actively seeking to recruit at year-end. The balance await confirmation from the Department before they can be advertised.

2.3. Organisational chart

IAASA's organisational structure as at 31 December 2016, reflecting the actual staff complement at that date, was as set out in the organisation chart below.



3. Financial overview

IAASA is funded through a combination of Exchequer grant, statutory levy on the PABs, statutory levy on the PIEs, and to a lesser extent, by fees charged for registration services. All funding sources are governed by the provisions of the Act. As a company limited by guarantee, IAASA produces financial statements in accordance with the Companies Acts, which are in turn audited by the Comptroller & Auditor General and lodged with the CRO.

Total expenditure in 2016 amounted to €2.6m, from a budget of €4.4m. The principal variations from budget comprised:

- significant underspend in payroll costs due to ongoing difficulties in attracting suitably qualified staff; and
- consequential underspend in audit inspection activities due to delays in implementing review programmes.

4. Governance

4.1. Board of directors

Pursuant to the Act, IAASA is governed by a Board of nine directors, eight of whom are non-executive and appointed by the Minister having been nominated by those entities set out in Table 6.2. (The equivalent provision of the Companies (Auditing & Accounting) Act 2003 ('the 2003 Act') provided for 15 directors. Directors appointed under the 2003 Act remain as Board members until the expiration of their respective warrants.) The remaining director is the Chief Executive, who is appointed by the Board. The Act specifies that the Authority operates independently of Government and the Minister is statutorily precluded from giving directions to the Authority in the discharge of its functions.

The non-executive directors are nominated by the nominating bodies prescribed under the Act. Whilst this fact could be perceived as affecting their independence of judgement, they are independent as they neither represent the interests of their nominating bodies nor consult with their nominating bodies or their members on matters related to IAASA.

Table 6.2 Board of directors - nominating bodies

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

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

4.2. Key changes in Board membership during the year

2016 was a year of particularly demanding challenges for IAASA. In addition to the very significant changes arising in several areas of our role, as outlined in the preceding Chapters, the Authority had to cope with serious disruptions to its governance structures caused by the untimely death in May of Professor Brendan Walsh, the then Chairperson, and the resignation of Ms Helen Hall, the then Chief Executive, in January.

Thankfully both positions were filled by the end of the year with the appointment of Mr Martin Sisk as Chairperson in December while Mr Kevin Prendergast was appointed Chief Executive in November. The Authority is very grateful to Mr Conor O'Mahony who carried out the role of Deputy Chairperson pending the appointment of a new Chairperson and to Mr Michael Kavanagh who took on the role of Chief Executive in the interim period as well as to all the other dedicated staff and Board members who ensured that the important work of the Authority continued to be carried out efficiently and effectively throughout the year.

4.2. Directors' biographies

Set out below are brief biographies of those persons who were members of the Board as at the date of issue of this Report, i.e. 30 April 2017. The Board composition at year end and changes in directors since the last Annual Report are tabulated in Appendix 1.

Martin Sisk, Chairperson, has over 31 years regulatory and business related experience. A qualified Solicitor, he started his career in the Revenue Commissioners, served as Registrar of Friendly Societies 1985 – 2003, Deputy Registrar of Credit Unions 2003 -2006, Deputy Head of Consumer Protection Codes 2007 – 2008 and as Head of the Anti- Money Laundering, Terrorist Finance and Financial Sanctions Unit of the Central Bank 2008 – 2010. He retired from the Central Bank in July 2010. Martin was elected to the Board of Malahide & District Credit Union in December 2010 and continues to be a Director. He was elected to the Board of the Irish League of Credit Unions in February 2011 and was subsequently

elected as Vice President 2011 – 2013 and President 2013 – 2015. He continues to be a Director. Martin was appointed a Director of VHI Healthcare in March 2012 for a three year term (2012 – 2015) and was subsequently appointed as Chairman in September 2012 for the remainder of his term. Martin was appointed as the Independent Non – Executive Director of the Interim Board of the Office of Government Procurement in May 2015. Martin was appointed to the Board of the Health Information and Quality Authority in July 2015.

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

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

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

Marie Daly is Head of Legal and Regulatory Affairs and the in-house legal advisor with IBEC. She qualified as a solicitor in 1987, working initially in Dublin Corporation's Law Department before joining the then Federation of Irish Employers in 1991 as an employment solicitor. She is also a member of the Company Law Review Group ('CLRG') and the High Level Group on Business Regulation.

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

Etain Doyle is an accountant and accredited executive coach with a varied portfolio including running a peer learning circle and coaching SME CEOs. Apart from Board membership of IAASA, she is a member of the Ireland Committee of the ACCA and Chairperson of the Audit Committee of the NCCA. She also serves as Director for the Association for Coaching Ireland and as Director for some not-for-profit organisations.

Aileen O'Donoghue is Director of Strategy, Policy and Communications at the ISE. In addition, she is Chairperson of the IFSC Ireland Executive Committee. Prior to joining the ISE, Aileen

was Director of Financial Services Ireland, the representative body for the Irish financial sector in IBEC. She has participated on a number of national and international bodies including the National Economic and Social Forum, the Expert Group on Future Skills Needs, the National Training Advisory Council and Skillnets. Aileen is the holder of an MBA from University College Dublin.

Conor O'Mahony is currently a Principal Officer in the ODCE, where he has responsibility for matters relating to insolvent companies. He previously headed up the Small and Medium Enterprise Policy Unit in the Department and before that worked in the Department of Finance and the Revenue Commissioners. Conor was a member of the Review Group on Auditing that led to the establishment of IAASA.

4.3. Board procedures

The Board holds regular meetings and its procedures further provide for the convening of unscheduled meetings should the need arise. Board members receive regular and timely information in a form and of a quality appropriate to enable them to discharge their duties.

The Board has put in place a formal Schedule of Matters reserved specifically to it for decision, which covers key areas of policy and IAASA's statutory functions and powers. Certain matters are delegated to Board Committees, as outlined in section 4.5, and the Board has also put in place a system of formal delegations of authority to the Chief Executive.

Service on a statutory Board such as IAASA requires integrity, independence, objectivity and good faith on the part of Board members. Whilst it is recognised that members of the Board have responsibilities to their nominating organisations, their overriding responsibility as directors of IAASA is to act in accordance with the relevant legislation and to act in, and protect and promote, the best interests of IAASA. In this regard, all Board members bring independent judgement to bear on issues dealt with by the Board. The Board has a formal policy in place for dealing with conflicts of interest that may arise, including disclosure obligations and requirements that directors absent themselves from any discussions or decisions in respect of any such conflicts.

4.4. Board meetings

During the year, the Board held 12 meetings. The membership of the Board during the year, together with details of the number of meetings attended by each director, is set out in the Table 6.3.

Table 6.3 Directors' attendance at Board meetings

Director	Meetings attended/Meetings eligible to attend
Ms. Deirdre Behan	11/12
Ms. Mary Burke	10/12
Ms. Marie Daly	11/12
Mr. David Devlin	6/6
Ms. Etain Doyle	12/12
Ms. Helen Hall (Chief Executive to 14 Jan)	1/1
Mr. Michael Kavanagh (Interim Chief Executive)	6/6
Ms. Aileen O'Donoghue	10/12
Mr. Conor O'Mahony	10/10
Mr. Kevin Prendergast (Chief Executive from 14 Nov)	1/1
Mr. Michael Quinlan	11/12
Mr. Martin Sisk (Chairperson)	0/0
Prof. Brendan Walsh RIP (Chairperson)	3/3

4.5. Board Committees

The Board has established a number of Committees to assist it in discharging its functions and responsibilities. All Committees have written terms of reference and report regularly to the Board. Details of Committees' mandates and memberships are set out in Table 6.4.

Table 6.4 Board Committees - mandates and membership

Committee	Mandate	Membership at 31 December 2016
Section 933 committees	In accordance with section 933 of the Act from time to time IAASA establishes PECs and Enquiry Committees for the purpose of determining whether a PAB has complied with its approved investigation and disciplinary procedures.	Board members are nominated to PECs/ Enquiry Committees as and when the need arises.
Section 934 committee	In accordance with section 934 of the Act from time to time IAASA establishes Preliminary Investigation Committees ('PICs') and Investigation Committees for the purpose of determining whether there has been a possible breach of standards by a PAB member.members	Board members are nominated to PICs/ Investigation Committees as and when the need arises.
Audit	Monitoring the integrity of IAASA's financial statements, the effectiveness of IAASA's internal control and risk management systems and monitoring and reviewing the effectiveness of the internal and external audit processes.	<ul style="list-style-type: none"> • Mr Conor O'Mahony (Chairperson) • Mr David Devlin • Ms Deirdre Behan

Whilst section 933 and 934 committees report to the Board on a regular basis, such reporting is concerned mainly with the progress of enquiries or investigations and other important issues relevant to the overall governance of IAASA (e.g. matters pertaining to litigation risk etc.). The Board does not receive reports regarding the subject matter of enquiries or investigations as committees operate independently of the Board and executive in discharging their mandates.

The audit committee comprises three non-executive directors and its terms of reference are set out in the Charter of the Audit Committee ('the Charter'), available of the Authority's website. The Charter sets out specific roles and responsibilities for the audit committee, and Table 6.5 sets out how these roles were discharged in 2016.

Following the untimely death of the former Chairperson, Professor Brendan Walsh, in May 2016, the Chairperson of the Audit Committee was selected as Deputy Chairperson of the Board pending the nomination of a Chairperson by the Minister. This process was to have been expedited, but in the event, the Chairperson was not appointed by the Minister until December 2016. The Audit Committee did not meet during this period, and consequently met on only two occasions during the year. Certain internal audit reviews which would otherwise have been undertaken in 2016 will be carried out in 2017.

Table 6.5 Audit committee activities

Charter Requirement	Actions taken during 2016
Internal controls and risk management systems (section 6.1)	<ul style="list-style-type: none"> The committee reviewed the System of Internal Financial Control ('SIFC') in conjunction with the internal auditor.
Financial reporting (section 6.2)	<ul style="list-style-type: none"> The committee reviewed the 2015 Financial Statements and recommended their approval by the directors. The committee reviewed the 2015 Annual Report to the Minister, and considered the Report understandable, consistent and unbiased.
Whistle-blowing (section 6.3)	<ul style="list-style-type: none"> Detailed 'whistle-blowing' procedures remained in place throughout the period. The Board approved Internal and External Protected Disclosure procedures in December 2016, which replaced the previous whistle-blowing procedures.
Compliance with laws, regulations and the Irish Code (section 6.4)	<ul style="list-style-type: none"> As alluded to above, IAASA's internal auditor completed a detailed audit of the SIFC, including testing of IAASA's compliance with the Code. The committee satisfied itself that no material instances of non-compliance arose during the year under review.
Internal audit (section 6.5)	<ul style="list-style-type: none"> The committee appointed CrowleysDFK as internal auditors for the period 2016 - 2018, on foot of a competition coordinated by the Office of Government Procurement.
External audit (section 6.6)	<ul style="list-style-type: none"> As mandated by the Act, the C&AG remained and remains IAASA's external auditor. The C&AG carried out its audit of the 2015 Financial Statements and cleared said Statements for approval by the directors.
Reporting responsibilities (section 6.7)	<ul style="list-style-type: none"> A report from the Chairperson of the Audit Committee to the Board was given at each Board meeting in 2015.
Other matters (section 6.8)	<ul style="list-style-type: none"> The committee reviewed an internal audit report on human resource management.

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

The audit committee reviewed the 2015 Financial Statements and found no issues of significance arising therefrom.

On the expiration of the term of office of Mr Seán Hawkshaw as a director of IAASA, Ms Deirdre Behan was appointed as a member of the audit committee with effect from 1 January 2016.

5. Corporate governance statement

5.1. Introduction

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

In 2011 the Board voluntarily adopted the UK Corporate Governance Code and the Irish Corporate Governance Annex to the UK Code as promulgated by the ISE. The Board has considered this compliance in the context of the revised and updated Code issued by the Department of Public Expenditure & Reform in September 2016. The Board is of the view that the revised 2016 Code is expansive and detailed. It has been designed by the Department of Public Expenditure & Reform to be the appropriate standard for all State bodies, and draws from the relevant parts of the UK Code. In this context, the Board no longer considers it appropriate to adopt the full UK Code, and does not assert compliance with the UK Code in respect of 2016. Nevertheless, UK Code updates have been reviewed by the Authority and its best practices incorporated.

The directors acknowledge their responsibility for preparing the Annual Report and the Financial Statements respectively, and consider that these documents, taken as a whole, are fair, balanced and understandable, and provide the information necessary for stakeholders to assess IAASA's performance, business model and strategy. Except where otherwise stated, the directors believe that IAASA has complied with the provisions of the Code.

5.2. Statement of compliance

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

- documented the Chief Executive's and Chairperson's respective roles;
- put in place measures whereby directors have access to the advice and services of the Secretary and to independent legal advice where considered necessary;
- put in place mechanisms by which the Board is regularly apprised of significant matters pertaining to IAASA's supervisory and enforcement remits and to its finances;
- put in place measures to ensure that the Board receives regular, high quality information on which to base its decision making;
- implemented measures to ensure that new directors are provided with a specialised directors' orientation briefing upon appointment to the Board including a detailed outline of their fiduciary duties under law;
- adopted Codes of Conduct for both directors and employees;
- appointed an audit committee comprising of non-executive directors;
- appointed an external provider of internal audit services;
- developed and approved Charters for both the audit committee and internal auditors which reflect both best practice and the Irish Code's requirements;
- developed a risk management policy containing policies and procedures designed to identify and quantify key business risks and to assist IAASA in the management of those risks;
- carried out a robust assessment of the principal risks facing the company;

- put in place a system of documented internal controls and related procedures, which addresses IAASA's obligations under public sector procurement requirements;
- adopted protected disclosure procedures, i.e. whereby employees of IAASA or members of the public can, in strict confidence, raise any concerns that they might have regarding possible irregularities in financial reporting or other matters directly with the Secretary to the Board or Chief Executive respectively;
- introduced formal procedures for addressing any instances in which Board members have a concern that cannot be resolved, registering of such concerns and bringing of such concerns to the Board's attention;
- adopted requirements regarding the disclosure of interests by directors;
- ensured that appropriate directors' and officers' insurance is in place;
- resolved that the topic of risk management should become a standing agenda item at Board meetings, conferred responsibility for monitoring risk management on the audit committee and appointed a Chief Risk Officer at a senior level;
- adopted a policy whereby IAASA shall comply with all Department of Finance circulars regarding travel and subsistence;
- conducted Board meetings in the absence of the Chief Executive; and
- adopted a Customer Charter to provide information on the standards of service that stakeholders can expect from IAASA.

IAASA's directors and senior management are also subject to the provisions of Ethics in Public

Office legislation, which requires, amongst other things, the annual disclosure of any interests that could materially influence them in relation to the performance of their official functions.

6. Other public sector and other governance obligations

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

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

6.2. Legal requirements under the Companies Acts

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

- held IAASA's tenth Annual General Meeting on 12 July 2016; and
- filed the company's Annual Return with the Registrar of Companies on 14 July 2016.

IAASA has taken the steps necessary to ensure that, in compliance with section 281 of the Act, adequate accounting records are maintained. Similarly, the Secretary is charged with maintaining IAASA's statutory Registers and ensuring that all filings are made to the Registrar of Companies within prescribed timeframes.

6.3. Principal legal requirements under other legislation

IAASA has also taken the necessary steps to ensure its compliance with a range of other legal requirements, including:

- health and safety legislation;
- employment and related legislation;
- tax law, including those provisions relating to the necessity for certain service providers to IAASA to hold valid Tax Clearance Certificates in advance of payments being made;
- Ethics in Public Office law; and
- the European Communities (Late Payments in Commercial Transactions) Regulations, 2012.

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

The background is a dark blue gradient with several large, overlapping, curved shapes in lighter shades of blue, creating a dynamic, abstract pattern. The text is centered and framed by two horizontal white lines.

2016 FINANCIAL &
RELATED STATEMENTS

Report of the Directors

Introduction

The directors are pleased to submit to the eleventh Annual General Meeting of the Irish Auditing and Accounting Supervisory Authority ('IAASA') the financial statements for the year ended 31 December 2016, together with the Report of the Directors, which has been prepared pursuant to the provisions of section 325 of the Companies Act 2014 ('the Act').

Directors and Secretary

The Directors and Secretary of IAASA as at 31 December 2016 were:

Member	Nominating body	Commencement of term of office
Mr Martin Sisk (Chairperson)	Ministerial nominee	21 December 2016
Mr Kevin Prendergast (Chief Executive)	<i>Ex-officio</i>	14 November 2016
Ms. Deirdre Behan	Revenue Commissioners	3 January 2012
Ms. Mary Burke	Central Bank of Ireland	14 October 2015
Ms. Marie Daly	Irish Business & Employers' Confederation	3 January 2006
Mr. David Devlin	Prescribed Accountancy Bodies	1 October 2016
Ms. Etain Doyle	Prescribed Accountancy Bodies	30 May 2014
Mr. Conor O'Mahony	Director of Corporate Enforcement	1 March 2012
Ms. Aileen O'Donoghue	Irish Stock Exchange	3 January 2014
Mr. Michael Quinlan	Law Society of Ireland	3 January 2011
Secretary	Mr Fergal Ó Briain, Head of Finance & Administration, IAASA	5 June 2015

The following were not directors at the reporting date, having either ceased to hold office during the year or been appointed since 1 January 2017:

Member	Nominating body	Commencement of term of office	Cessation of term of office
Mr. Michael Quinlan	Law Society of Ireland	3 January 2011	2 January 2017

Principal activities

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

- (a) examination and enforcement of certain listed entities' periodic financial reporting
- (b) supervision of the regulatory functions of the Prescribed Accountancy Bodies ('PABs'); and
- (c) (with effect from 17 June 2016) inspection and promotion of improvements in the quality of auditing of Public Interest Entities ('PIEs').

IAASA is also responsible for the adoption of auditing standards in Ireland, the registration of certain classes on liquidators, has been designated as the competent authority for the registration and quality assurance of certain third country auditors and audit entities. The company does not trade for the acquisition of gain by its members.

Business Overview

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

Financial position

The assets and liabilities and financial position of the company are set out in detail in the financial statements on pages 64 to 85.

Risk and uncertainties

The directors confirm that, as required by the Code of Practice for the Governance of State Bodies, a Risk Management Policy and procedures have been developed and adopted for the purpose

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

Accounting records

To ensure that adequate accounting records are maintained in accordance with the requirements of sections 281 to 286 of the Act, IAASA has employed an appropriately qualified Head of Finance and provides sufficient resources to the finance function. The accounting records are located at IAASA's registered office at Willow House, Millennium Park, Naas, Co. Kildare

Provision of Relevant Audit Information

In accordance with Section 330 (1) of the Act, the directors believe that they have taken all steps necessary to make themselves aware of any relevant audit information and have established that the auditor is aware of that information. Insofar as they are aware, there is no relevant audit information of which the auditor is unaware.

Events after the end of the reporting period

No events have occurred subsequent to the reporting date which would require disclosure in the financial statements.

Auditor

IAASA's auditor, the Comptroller & Auditor General, remains in office in accordance with the provisions of section 927(2) of the Act.

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

Martin Sisk
Chairperson

30 May 2017

Kevin Prendergast
Chief Executive

30 May 2017

Statement on Internal Financial Control

Responsibility for system of internal financial control

On behalf of the Board of directors of IAASA, I acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated.

The system can only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely manner.

Key control procedures

The Board of IAASA has taken steps to ensure an appropriate control environment is in place by:

- clearly defining management responsibilities;
- formalising a clear separation between the Board's and the Executive's functions and powers;
- setting regular reporting requirements concerning financial and related matters;
- establishing an Audit Committee;
- engaging an external firm of accountants to act as providers of an internal audit service to IAASA;
- publishing Codes of Conduct for both directors and employees of IAASA; and
- seeking to maintain a strong culture of accountability across the organisation.

The Board adheres to all the requirements of the Code of Practice for the Governance of State Bodies ('the Code') insofar as is appropriate for a non-commercial semi-State body.

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

- identifying the nature, extent and possible implications of the risks facing IAASA, including the extent and categories of risk which it regards as acceptable;
- assessing the likelihood of identified risks coming to fruition;
- assessing the Board's ability to manage and mitigate identified risks; and
- having regard to costs of operating particular controls relative to the benefit obtained.

The system of internal financial control is based on a framework of regular management information, administrative procedures including, to the extent practicable having regard to the scale of IAASA, segregation of duties and a system of delegation and accountability. In particular it includes:

- a comprehensive budgeting system with an annual budget, which is reviewed and agreed by the Board;
- regular reviews by the Board of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance; and
- regular internal audit reviews.

IAASA appointed Crowleys DFK act as internal auditors for the period 2016 - 2018 and to report to the Audit Committee. The Audit Committee, which is comprised of non-executive directors, includes persons possessing knowledge of accounting, internal control and risk management matters. The Audit Committee is further charged with ensuring

that the Board is kept informed of the matters that it has considered.

The internal audit function operates in accordance with an approved Internal Audit Charter, which is consistent with the provisions set out in the Code. A rolling three-year internal audit work plan has been determined in consultation with the Audit Committee and is reviewed annually and revised as and when required. The internal audit work plan takes account of areas of potential risk identified in a risk assessment exercise carried out by Crowleys DFK. The internal auditor provides the Audit Committee with regular reports on assignments carried out. These reports highlight deficiencies or weaknesses, if any, in the system of internal financial control and the recommended corrective measures to be taken where necessary.

I confirm that, in respect of the year ended 31 December 2016, the Board conducted a review of the system of internal financial control and that the Board's review was informed by the work of the internal auditor, the Audit Committee, which oversees the work of the internal auditor, and IAASA's executive which has responsibility for the development and maintenance of the financial control framework.

Signed on behalf of the Board:

Martin Sisk
Chairperson
30 May 2017

Directors' Responsibilities Statement

IAASA performs its functions and exercises its powers through a company limited by guarantee, designated for that purpose in accordance with the Act.

Company law requires the directors to prepare financial statements and the report of the directors for each financial year which give a true and fair view of the assets, liabilities and financial position of the company as at the financial year end date and of its surplus or deficit for that period and otherwise comply with the Act. In preparing those financial statements, which are prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the United Kingdom and Ireland*, the directors are required to:

- select suitable accounting policies in accordance with Irish generally accepted accounting practices and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with appropriate accounting standards, identify these standards, and note the effect and the reason for any material departure from those standards; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that IAASA will continue in operation.

The directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Act and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

Martin Sisk
Chairperson

30 May 2017

Kevin Prendergast
Chief Executive

30 May 2017

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

Irish Auditing and Accounting Supervisory Authority

I have audited the financial statements of the Irish Auditing and Accounting Supervisory Authority for the year ended 31 December 2016 under Section 927 of the Companies Act 2014. The financial statements comprise the statement of financial position, the statement of income and expenditure, the statement of changes in reserves and capital account, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is the Companies Act 2014 and generally accepted accounting practice in Ireland.

Responsibilities of the directors

The directors are responsible for the preparation of the financial statements, for ensuring that they give a true and fair view and otherwise comply with the Companies Act 2014 and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and to report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the Authority's circumstances, and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made by the directors in the preparation of the financial statements, and
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

In addition, I read the Authority's annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the financial statements

In my opinion, the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Authority as at 31 December 2016 and of surplus for 2016; and
- have been properly prepared in accordance with generally accepted accounting practice in Ireland; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

Matters on which I am required to report by the Companies Act 2014

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

In my opinion, the information given in the directors' report is consistent with the financial statements.

Matters on which I report by exception

I report by exception if I find

- any material instance where money has not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or

- the information given in the Authority's annual report is not consistent with the related financial statements or with the knowledge acquired by me in the course of performing the audit, or
- the statement on internal financial control does not reflect the Authority's compliance with the Code of Practice for the Governance of State Bodies, or
- the disclosures of directors' remuneration and transactions as specified by the Companies Act 2014 are not made, or
- there are other material matters relating to the manner in which public business has been conducted.

I have nothing to report in regard to those matters upon which reporting is by exception.

Patricia Sheehan

*For and on behalf of the
Comptroller and Auditor General*

June 2017

Irish Auditing & Accounting Supervisory Authority

Statement of Financial Position as at 31 December 2016

	Note	2016 €	2015 €
Non-current assets			
Property, Plant & Equipment	4	108,066	108,365
Deferred Finance Lease Costs		199	639
		<u>108,265</u>	<u>109,004</u>
Current Assets			
Inventory		2,296	2,145
Receivables	5	764,789	14,707
Deferred Finance Lease Costs		440	653
Rent Incentive		12,264	-
Cash & Cash Equivalents	6	955,229	934,924
		<u>1,735,018</u>	<u>952,429</u>
Creditors: Amounts falling due within 1 year			
Payables	7	272,049	225,921
Deferred Rent Incentive	8	-	1,452
Finance lease obligations	9	2,242	2,242
Excess PAB Levy Income	10	363,961	276,464
Excess PIE Audit Firm Levy Income	10	449,539	-
Excess Departmental Grant Income	10	189,455	35,380
		<u>1,277,246</u>	<u>541,459</u>
Net Current Assets		457,772	410,970
Amounts falling due after 1 year			
Deferred Rent Incentive		52,311	13,132
Finance lease obligations		3,926	6,169
		<u>56,237</u>	<u>19,301</u>
Net Assets before Retirement Benefits		509,800	500,673
Retirement Benefits			
Retirement Benefit Liability	11	(2,665,000)	(1,822,000)
Deferred Exchequer Retirement Benefit Funding	11	2,665,000	1,822,000
Net Assets after Retirement Benefits		509,800	500,673
Reserves			
Income Reserve		-	-
Capital Account	12	108,066	108,365
Reserve Fund		401,734	392,308
Members' Funds		509,800	500,673

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

Martin Sisk
Chairperson

30 May 2017

Kevin Prendergast
Chief Executive

30 May 2017

Irish Auditing & Accounting Supervisory Authority

Statement of Income and Expenditure for the year ended 31 December 2016

	Note	2016 €	2015 €
Revenue	13	2,625,259	2,336,610
Administrative Expenses			
Staff Costs	14	1,732,999	1,448,575
Directors' Fees	15	41,091	65,835
Accommodation	2.2	277,337	160,050
Travel & Subsistence	16	76,754	64,514
Legal and Professional Services	17	224,242	354,018
Office Expenditure	18	55,925	65,582
Information Technology		89,067	22,819
Professional Development		55,587	48,238
Insurance		25,438	23,043
Auditor's Remuneration	19	12,000	10,500
Depreciation		26,585	9,896
Total Administrative Expenses		2,617,025	2,273,070
Surplus of Income over Admin Expenses before Finance Costs		8,234	63,540
Finance costs		653	841
Surplus of Income over Admin Expenses after Finance Costs		7,581	62,699
Finance Income	20	1,546	5,038
Surplus for the year		9,127	67,737
Other comprehensive income			
Experience (losses)/gains on pension scheme liabilities		(23,000)	44,000
Changes in assumptions		(568,000)	155,000
Adjustment to deferred Exchequer pension funding		591,000	(199,000)
Total recognised Surplus for the year		9,127	67,737

The results for the year relate to continuing operations.

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

Martin Sisk
Chairperson

30 May 2017

Kevin Prendergast
Chief Executive

30 May 2017

Irish Auditing & Accounting Supervisory Authority
Statement of Changes in Reserves and Capital Account for the year ended
31 December 2016

	Income Reserve	Capital Account	Reserve Fund	NET ASSETS
Balance - 1 January 2015	-	13,705	419,231	432,936
Surplus for the year	67,737	-	-	67,737
Transfer from Income & Expenditure Account:				-
income applied to capitalised asset acquisitions	(104,556)	104,556	-	-
less: amortisation applied in line with asset depreciation	9,896	(9,896)	-	-
income receivable on reserve fund monies	(2,574)	-	2,574	-
amounts receivable in respect of fines (S. 933, 2014 Act)	-	-	-	-
amounts payable from reserve fund (S. 933, 2014 Act)	29,497	-	(29,497)	-
actuarial gain on pension liabilities	199,000	-	-	199,000
adjustment to deferred exchequer pension funding	(199,000)	-	-	(199,000)
Balance - 31 December 2015 / 1 January 2016	-	108,365	392,308	500,673
Surplus for the year	9,127	-	-	9,127
Transfer from Income & Expenditure Account:				-
income applied to capitalised asset acquisitions	(106,899)	106,899	-	-
less: amortisation applied in line with asset depreciation	26,585	(26,585)	-	-
Add: reallocation of previously capitalised expenditure	80,613	(80,613)	-	-
income receivable on reserve fund monies	(1,068)	-	1,068	-
amounts receivable in respect of fines (S. 933, 2014 Act)	(30,000)	-	30,000	-
amounts payable from reserve fund (S. 933, 2014 Act)	21,642	-	(21,642)	-
actuarial (loss) on pension liabilities	(591,000)	-	-	(591,000)
adjustments to deferred exchequer pension funding	591,000	-	-	591,000
Balance - 31 December 2015	-	108,066	401,734	509,800

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

Martin Sisk
Chairperson

30 May 2017

Kevin Prendergast
Chief Executive

30 May 2017

Irish Auditing & Accounting Supervisory Authority
Statement of Cash Flows for the year ended 31 December 2016

	Note	2016 €	2015 €
Net Cash Inflow from Operating Activities	21	125,504	114,325
Cash Flows from Financing Activities			
Interest received		1,700	6,142
Cash Flows from Investing Activities			
Payments to acquire tangible fixed assets		(106,899)	(104,556)
Increase in Cash & Cash Equivalents in Year		20,305	15,911
Reconciliation of Net Cash Flow to Movements in Net Funds			
Increase in Net Funds in Year	22	20,305	15,911
Net Funds at 1 January		934,924	919,013
Net Funds at 31 December		955,229	934,924

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

Martin Sisk
Chairperson

30 May 2017

Kevin Prendergast
Chief Executive

30 May 2017

Irish Auditing & Accounting Supervisory Authority

Notes to Financial Statements

1 Basis of Preparation

These financial statements have been prepared under the historic cost convention in accordance with applicable legislation and with FRS 102 *The Financial Reporting Standard applicable in the United Kingdom and Ireland* issued by Financial Reporting Council in the UK for use in Ireland.

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

In accordance with FRS 102, these Financial Statements comprise the Statement of Financial Position, Statement of Income & Expenditure, Statement of Changes in Reserves & Capital Account, Statement of Cash Flows, and Notes to the Financial Statements.

2 Accounting policies applied

2.1 Non-current Assets - depreciation

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

2.2 Non-current Assets - refurbishment project

The Authority commenced a refurbishment project of its office premises in 2015 in order to accommodate additional staff and to better design the premises for its existing staff. Professional fees of €80,613 were incurred during the year, and these were capitalised. Physical works did not commence, and the project was abandoned in 2016 when the floor immediately below the existing offices became available which could be occupied with only minor alterations. Accordingly, the costs have been charged in full to the Statement of Income & Expenditure.

2.3 Non-current Assets purchased prior to establishment

Non-current assets owned and controlled by IAASA have been recorded by the Authority at cost. In addition to these assets, and as detailed in Note 3, IAASA has the use of certain assets which were purchased by the Department of Jobs, Enterprise & Innovation ('the Department') prior to the Authority's establishment. Section 2 of FRS 102 defines an asset as "a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity". These assets remain the property of the Department. Their return may be sought at any time. In the event of their sale, or the dissolution of the Authority, the asset/proceeds remain the property of the Department. In light of the foregoing, the Directors are satisfied that these assets are not assets of the Authority, and are properly omitted from the Authority's Statement of Financial Position.

2.4 Inventory

Stocks on hand at period end represent stocks of information technology consumables and office consumables and are stated at the lower of cost and net realisable value.

2.5 Revenue Recognition

In accordance with section 921(1) of the Act, any excess of income over expenditure in any financial period shall be applied towards meeting IAASA's Programme of Expenditure in the following period and any amounts payable from the Exchequer and PABs respectively shall be appropriately reduced. Section 921(2) further provides that income set aside for Reserve Fund purposes is not considered to be income for this purpose. The treatment of income set aside for Reserve Fund purposes is detailed further below.

2.5.1 Exchequer grant income via the Department

Section 914(2) of the Act provides that a grant not exceeding 40% of IAASA's approved Programme of Expenditure for the period shall, subject to any conditions thought proper by the Minister for Jobs, Enterprise & Innovation ('the Minister'), be paid to IAASA out of monies provided by the Oireachtas.

Irish Auditing & Accounting Supervisory Authority Notes to Financial Statements

The Department has stipulated that the grant that will be paid in any given financial period will be such as to meet 40% of IAASA's expenditure in that period. Accordingly, grant income recognised in the Statement of Income & Expenditure represents the amount necessary to meet 40% of IAASA's net expenditure in the year. Any timing differences arising at the reporting date between 40% of IAASA's net expenditure in the period and amounts received from the Department are, therefore, reflected as a debtor or grant income carried forward.

2.5.2 Prescribed Accountancy Bodies' Levies

Section 916(1) of the Act also provides that IAASA may impose one or more levies on the PABs with the consent of the Minister for the purpose of meeting up to 60% of its approved Programme of Expenditure. The aggregate of the PABs' levies are apportioned on the basis of criteria submitted to, and approved by, the Minister. Given that statutory levies imposed on the PABs are designed to meet 60% of IAASA's expenditure in the period, PAB levy income recognised in the Statement of Income & Expenditure represents the amount necessary to meet 60% of IAASA's net expenditure in the period. Any timing differences arising at the reporting date between 60% of IAASA's net expenditure in the period and the aggregate of levies received from the PABs are reflected as debtors or levy income carried forward.

2.5.3 Reserve Fund

Section 919(1) of the Act provides that IAASA shall maintain establish a Reserve Fund, to be used only for the purposes of performing its functions or exercising its powers under section 933 of the Act. Exchequer Reserve Fund grant income and PAB Reserve Fund levies respectively, if arising, are accounted for in the financial statements on the date of approval by the Minister, or on such later date if appropriate in accordance with any payment stipulations set out by the Minister. No such income has been approved by the Minister since 2007 pursuant to the corresponding provisions of the Companies (Auditing & Accounting) Act 2003 ('the 2003 Act').

Sections 933(5), 933(6) and 934(7) of the Act provide that fines may be levied on PABs and

members of PABs respectively in circumstances where adverse findings are made by IAASA following investigation under the relevant Regulations. Such income, where arising, is required to be credited to the Reserve Fund. Fine income accounted for on the date of the statutorily required High Court approval. Movements in the Reserve Fund are set out in the Statement of Changes in Reserves & Capital Account.

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

The EU Transparency Directive is concerned with the harmonisation of information requirements applying to issuers whose securities have been admitted to trading on a regulated market situated, or operating, within the EU. IAASA has been designated by the Minister as a competent authority for the purposes of Article 24(4)(h) of the EU Transparency Directive. In accordance with Departmental sanction, monies received in respect of the Transparency Directive may only be used towards the performance of IAASA's responsibilities in that regard. As is the case with IAASA's other sources of Exchequer income, the amount provided by the Department is such as to meet the amount expended in the year, and, accordingly, the grant income recognised in the Statement of Income & Expenditure represents an amount equivalent to said expenditure. Any differences arising at the reporting date between the expenditure in the period and amounts received from the Department are, therefore, reflected as a debtor or grant income carried forward.

2.5.5 Income relating to IAASA's Audit Inspections Unit

As part of European audit reform measures, IAASA has been given responsibility for inspecting the quality of audit work performed by the auditors of public interest entities with effect from June 2016. As a result, IAASA has established up a new unit within its operations with the overall objective of inspecting auditors' work and promoting improvements in the quality of auditing of public interest entities. Associated costs were fully Exchequer funded in 2015, and up to 17 June 2016. Thereafter, the Unit is funded by way of

direct levy on the PIE Audit Firms. In accordance with Departmental sanction, monies received in respect of the establishment of the AIU may only be used towards the performance of IAASA's responsibilities in that regard. As is the case with IAASA's other sources of Exchequer income, the amount provided by the Department is such as to meet the amount expended in the year, and, accordingly, the grant income recognised in the Statement of Income & Expenditure represents an amount equivalent to said expenditure. Any differences arising at the reporting date between the expenditure in the period and amounts received from the Department are, therefore, reflected as a debtor or grant income carried forward, or as PIE Audit Firm debtors.

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

Third country (i.e. non-EU Member States) auditors and audit entities which audit the annual or consolidated accounts of certain companies must register with IAASA for their audit report to have legal validity in the State. IAASA has been designated as a competent authority for such registration, which is normally effected under the provisions for "full registration". There are provisions whereby auditors and audit entities from certain third countries may, subject to certain provisions, register under Transitional Regulations. Registration fees for both types of registration are specified by the Minister and are charged annually. In accordance with Departmental sanction, monies received from Third Country Audit Entity Registration may be retained and used towards the performance of IAASA's responsibilities in that regard to a maximum of €40,000. Any amounts in excess of this threshold are to be returned to the Department. Such income is accounted for in the financial statements by reference to the date of registration.

2.5.7 Finance income

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

2.6 Key management personnel

The responsibility for planning, directing and controlling the activities of IAASA rests exclusively with the Board of directors and the Chief Executive, who is also a director.

3 Critical accounting judgements and estimates

3.1 Retirement Benefits

The position regarding IAASA's superannuation schemes is as set out in Note 11. Section 28.10(a) of FRS 102 defines Defined Contribution schemes as "*post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and has no legal or constructive obligation to pay further contributions or to make direct benefit payments to employees if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Thus, the amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by an entity (and perhaps also the employee) to a post-employment benefit plan or to an insurer, together with investment returns arising from the contributions*". All other schemes are to be treated as Defined Benefit schemes.

In substance, the directors consider that the obligation to pay retirement benefits remains with IAASA, but that the Exchequer has committed to providing IAASA with sufficient funds to settle any such obligations on IAASA's behalf as they fall due, provided IAASA pays over employees' and the employer's contributions at rates specified by the Minister for Public Expenditure & Reform.

Notwithstanding that the Exchequer has confirmed that it will bear all liabilities arising to IAASA employees (and their spouses, civil partners and children) in return for a fixed contribution, the Directors remain of the view that the contractual obligation remains between the Authority and its employees. Consequently, the directors continue to account for the schemes as Defined Benefit schemes.

Accordingly, the financial statements recognise both a Retirement Benefit Obligation and a Deferred Exchequer Retirement Benefit Funding receivable.

Irish Auditing & Accounting Supervisory Authority
Notes to Financial Statements

4 Non-current assets

	Office refurbishment	IT Equipment	Office Equipment	Furniture & Fittings	Total
Rate of Depreciation	0.00%	33.33%	20%	12.5%	
	€	€	€	€	€
Cost					
At 1 January, 2016	80,613	37,119	17,529	21,660	156,921
Additions	-	28,836	14,811	63,252	106,899
Disposals	-	-	-	-	-
Impairments (see note 2.2)	(80,613)	-	-	-	(80,613)
At 31 December, 2016	<u>-</u>	<u>65,955</u>	<u>32,340</u>	<u>84,912</u>	<u>183,207</u>
Accumulated Depreciation					
At 1 January, 2016	-	27,303	11,001	10,252	48,556
Charge for year	-	14,505	3,105	8,975	26,585
Disposals	-	-	-	-	-
At 31 December, 2016	<u>-</u>	<u>41,808</u>	<u>14,106</u>	<u>19,227</u>	<u>75,141</u>
NET BOOK VALUE					
At 1 January, 2016	80,613	9,816	6,528	11,408	108,365
At 31 December, 2016	<u>-</u>	<u>24,147</u>	<u>18,234</u>	<u>65,685</u>	<u>108,066</u>

Further to a commitment given to the PABs by the Minister with the consent of the Minister for Public Expenditure & Reform prior to IAASA's incorporation, the Exchequer funded IAASA's establishment costs in full. This expenditure was incurred by the Department. As a consequence, in addition to non-current assets acquired by IAASA subsequent to its incorporation, and to which IAASA has legal title, IAASA also has the use of certain assets that were acquired by the Department prior to its incorporation and to which the Department has legal title. The nature and acquisition cost of these assets is set out hereunder for information:

	€
Fit out costs - Millennium Park premises	507,127
Furniture and fittings	147,415
IT equipment	60,539
Total	<u>715,081</u>

The notional Net Book Value of these assets at the reporting date, had they been capitalised and depreciated in accordance with IAASA policies, would be nil [2015: nil]. The bulk of the IT assets have, with the Department's permission, been disposed of.

4.1 Non-current assets 2015

	Office refurbishment	IT Equipment	Office Equipment	Furniture & Fittings	Total
Rate of Depreciation	0.00%	33.33%	20%	12.5%	
	€	€	€	€	€
Cost					
At 1 January, 2015	-	39,492	17,133	13,111	69,7360
Additions	80,613	14,678	716	8,549	104,556
Disposals	-	(17,051)	(320)	-	(17,371)
At 31 December, 2015	80,613	37,119	17,529	21,660	156,921
Accumulated Depreciation					
At 1 January, 2015	-	39,214	9,209	7,608	56,031
Charge for year	-	5,140	2,112	2,644	9,896
Disposals	-	(17,051)	(320)	-	(17,371)
At 31 December, 2015	-	27,303	11,001	10,252	48,556
NET BOOK VALUE					
At 1 January, 2015	-	278	7,924	5,503	13,7057
At 31 December, 2015	80,613	9,816	6,528	11,408	108,365

5 Receivables

	2016 €	2015 €
PIE Audit Firm Debtors	740,984	-
Other	23,805	14,707
	764,789	14,707

Irish Auditing & Accounting Supervisory Authority

Notes to Financial Statements

6 Cash and cash equivalents

	2016	2015
	€	€
Bank - notice deposit (Reserve)	390,106	419,879
Bank - notice deposit (Non-Reserve)	521,874	321,383
Bank - current	43,205	193,618
Cash on Hand	44	44
Total cash & cash equivalents	<u>955,229</u>	<u>934,924</u>

€401,734 [2015: €390,823] of the funds held in the Authority's bank accounts at 31 December 2016 relate to the Reserve Fund and can only be used for the purposes as set out in Note 2.6.3.

7 Payables

	2016	2015
	€	€
Pay and Pay-Related	32,951	18,294
Office of the Revenue Commissioners	6,577	8,112
Legal and Professional Services	10,536	92,915
Other	221,985	106,600
	<u>272,049</u>	<u>225,921</u>

8 Lease of Accommodation, Deferred Rent Incentive

Rents due under leases are paid to the lessor by the Office of Public Works ("OPW") and are recouped by the OPW from IAASA on a quarterly basis by agreement. Rents are charged to the Statement of Income & Expenditure in the year to which they relate.

Under the lease agreement concluded in 2005 in respect of the second floor, Willow House, Millennium Park, Naas, IAASA benefited from a rent free period at the commencement of this lease. The value of the incentive has been spread across the life of the lease. This treatment has resulted in a charge of €27,652 in the financial statements at the date of incorporation and a corresponding deferred rent incentive, which will be released to the Statement of Income & Expenditure over the period of the lease.

Under the lease agreement concluded in 2016 in respect of the first floor, Willow House, IAASA benefited from a further six month rent free period from the commencement of this lease to 14 March 2017. The value of the incentive will be spread across the life of the lease, i.e., to 14 September 2025. This treatment has resulted in a charge of €26,915 in these financial statements and a corresponding deferred rent incentive, which will be released to the Statement of Income & Expenditure over the period of the lease.

The value of the incentive at 31 December to be released to the Statement of Income and Expenditure:

	2016		2015
	First Floor	Second Floor	Second Floor
	€	€	€
- within one year	(13,716)	1,452	1,452
- in two to five years	21,030	5,808	5,808
- in more than five years	19,597	5,872	7,324
	26,911	13,132	14,584

9 Finance Costs

IAASA acquired office equipment in August 2015 by way of finance lease. The period of the lease is 63 months, and total payments of €11,776 will be made in this period. At the end of the lease period, ownership of assets (with a cash value of €9,193 in August 2015) will pass to IAASA.

The value of the financial obligation accruing to IAASA as at 31 December:

	2016	2015
	€	€
- within one year	2,242	2,242
- in two to five years	3,926	6,169
- in more than five years	-	-
	6,168	8,411

Irish Auditing & Accounting Supervisory Authority Notes to Financial Statements

10 Exchequer Grant Debtor/PAB Levy Carry Forward

10.1 Calculation of Net Expenditure

	2016 €	2015 €
Gross Expenditure per Statement of Income and Expenditure	2,617,025	2,273,070
Adjust for:		
Unamortised amount of income used for capital acquisitions	(299)	94,660
Finance costs	653	841
Expenditure related to the Reserve Fund (Note 2.6.3)	<u>(21,642)</u>	<u>(29,497)</u>
	2,595,737	2,339,074
Less:		
Non-reserve fund interest receivable	478	2,464
Liquidator registration	3,500	9,500
Income from third country audit entity registration	41,000	43,000
Net Expenditure for the year	<u>2,550,759</u>	<u>2,284,110</u>
Net expenditure attributable to the Exchequer		
i. Transparency Directive (100%) (Note 2.6.4)	239,339	278,706
ii. Audit Inspections Unit (100%) (Note 2.6.5)	341,228	137,511
iii. Excess income from Third Country Audit Entities (Note 2.6.6)	(1,000)	(3,000)
iv. Obligations under the 2014 Act (40% of balance)	662,692	1,242,259
Net expenditure attributable to the PABs	994,039	1,122,536
Net expenditure attributable to the PIE Audit Firms	314,461	-
	<u>2,550,759</u>	<u>2,284,110</u>

10.2 Calculation of Grant Debtor / Levy Carry Forward

	Exchequer €	PABs €	PIE Audit Firms €	TOTAL €
Balance at 1 January, 2016	(35,380)	(276,464)	-	(311,844)
Attributable net expenditure	1,242,259	994,039	314,461	2,550,759
Grants/Levies received in the year	(1,396,334)	(1,081,536)	(23,016)	(2,500,886)
Grants/Levies received in the year	-	-	(740,984)	(740,984)
(Levy Carry Forward) at 31 December, 2016	<u>(189,455)</u>	<u>(363,961)</u>	<u>(449,539)</u>	<u>(1,002,955)</u>

11 Retirement Benefits

11.1 Overview

Section 926(1) of the Act provides that IAASA may only establish a superannuation scheme with the approval of the Minister, given with the consent of the Minister for Public Expenditure & Reform ('the Ministers'). IAASA prepared and submitted proposals to the Ministers in respect of employees and employees' spouses, civil partners & children (based upon the civil service defined benefit 'Model Schemes'). The schemes, which were submitted pursuant to the corresponding provision of the 2003 Act, were approved by the Ministers on 29 November 2010 and 5 December 2012 respectively. The schemes are based on the civil service 'model' schemes as described on the www.cspensions.gov.ie website.

In summary, the arrangements are:

- i. IAASA employees' scheme contributions are paid to the Department;
- ii. IAASA pays an employer contribution to the Department, the rate of which is set by the Minister for Public Expenditure & Reform. The rate is currently 25% [2015: 25%]; and
- iii. in return for the payment to it of the employees' and employer's contributions, the Department has committed that any benefits due to IAASA employees, and/or their spouses, civil partners and children will be met in full by the Exchequer as they fall due.

Scheme liabilities represented by the present value of future payments earned by IAASA staff to date are measured on an actuarial basis using the projected unit method. Pension costs reflect benefits earned by IAASA staff in the period and are shown net of employee pension contributions, which are retained by the Department. The amount to be included in the financial statements for the Deferred Exchequer Retirement Benefit Funding amount is estimated at an amount equal to the estimate of the obligation for the pension scheme liabilities.

Actuarial gains or losses arising from changes in actuarial assumptions and from experience surpluses and deficits are recognised in the Statement of Income & Expenditure for the year in which they occur and a corresponding adjustment is recognised to the balance for Deferred Exchequer Retirement Benefit Funding.

Employer contributions, which are charged at a rate imposed by the Minister for Public Expenditure & Reform and retained by the Exchequer, are charged or credited to the Statement of Income & Expenditure to the extent that they exceed or fall short of pension costs respectively as described above.

Irish Auditing & Accounting Supervisory Authority

Notes to Financial Statements

11.2 Actuarial valuation

IAASA has commissioned an actuarial valuation of accrued liabilities at the balance sheet date, and the cost of benefits (service cost) accrued during the year. This valuation, which was based on the Projected Unit method, is premised on the following assumptions:

	At 31-12-2016	At 31-12-2015
Rate of increase in salaries	2.50%	2.50%
Rate of increase in pensions in payment	2.00%	2.00%
Discount rate	1.75%	2.50%
Inflation assumption	1.50%	1.50%
Life expectancy at age 70:		
Current pensioners - male	17.9 years	-
Current pensioners - female	20.2 years	-
Future pensioners - male	18.4 years	18.4 years
Future pensioners - female	20.8 years	20.8 years

Based on the above, the present value of liabilities at the balance sheet date is €2,665,000 [2015: €1,822,000], and the service cost (calculated on the foregoing assumptions) for the year is €240,000 [2015: €239,000]. Certain of IAASA's staff, who have accumulated service elsewhere in the public service, have not to date exercised the option to transfer said service to IAASA.

11.3 Analysis of total pension costs charged to Statement of Income and Expenditure

	2016 €	2015 €
Total employer contribution	319,720	266,229
*Current service cost	240,000	239,000
Interest cost	41,000	39,000
Adjustment to deferred Exchequer pension funding	(281,000)	(278,000)
Total charged to Statement of Income and Expenditure	319,720	266,229

*Employee contributions totalling €68,057 [2015: €57,699] have been included in the calculation of the current service cost.

11.4 Movement in net pension liability

	2016 €	2015 €
Net Pension Liability at 1 January	1,822,000	1,743,000
Current Service Cost	240,000	239,000
Interest Cost	41,000	39,000
Experience (gains) on scheme liabilities	23,000	(44,000)
Changes in assumptions	568,000	(155,000)
Pensions paid in the year	(29,000)	-
Net Pension Liability at 31 December	<u>2,665,000</u>	<u>1,822,000</u>

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

	2016 €	2015 €	2014 €	2013 €	2012 €
Scheme liability	2,665,000	1,822,000	1,743,000	1,055,000	1,023,000
Experience (gains) on scheme liabilities	23,000	(44,000)	(13,000)	(96,000)	(17,765)
Changes in assumptions	568,000	(155,000)	499,000	(93,000)	317,000

12 Capital Account

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

Irish Auditing & Accounting Supervisory Authority

Notes to Financial Statements

13 Revenue

13.1 Approved Programme of Expenditure

IAASA's Programme of Expenditure for the year, as approved by the Minister under section 911(1) of the Act, was €4,428,000 [2015: €2,331,000] as laid out below. This includes Exchequer funding (via the Department) to a maximum of €763,000 [2015: €401,000] made available during the year in respect of IAASA's functions under the Transparency Directive; and funding of up to €1,402,000 [2015: €500,000] approved in relation to the establishment of an Audit Inspections Unit. The Audit Inspections Unit was funded by the Exchequer to 16 June 2016, and by the PIE Audit Firms thereafter.

	Exchequer	PABs	PIE Audit Firms	TOTAL
	€	€	€	€
Recurrent Expenditure	905,000	1,358,000	-	2,263,000
Approved allocation in respect of Transparency Directive	638,000	-	764,000	1,402,000
Approved allocation in respect of Transparency Directive	763,000	-	-	763,000
Total	<u>2,306,000</u>	<u>1,358,000</u>	<u>764,000</u>	<u>4,428,000</u>

13.2 Analysis of Income

	2016 €	2015 €
Recurrent Income under the Act		
Exchequer Grant Income	661,692	745,357
PABs' Levies	994,039	1,122,536
Reserve Fund Income		
Amounts receivable in respect of fines (Section 933)	30,000	-
Income in respect of Transparency Directive Activity		
Exchequer Grant Income	239,339	278,706
Income in respect of Audit Inspections Unit		
Exchequer Grant Income	341,228	137,511
PIE Audit Firms	314,461	-
Income in respect of Liquidator Registration		
Application fees received from liquidators	9,500	-
Income in respect of Third Country Audit Entity Registration		
Registration fees received from Third Country Audit Entities	41,000	43,000
	<u>2,625,259</u>	<u>2,336,610</u>

14 Staff Costs

	2016 €	2015 €
Salaries	1,283,753	1,075,038
Employer PRSI Contributions	129,526	107,308
Employer Retirement Benefit Contributions	319,720	266,229
	<u>1,732,999</u>	<u>1,448,575</u>

The total amount deducted from staff members in respect of the Pension Related Deduction pursuant to the Financial Emergency Measures in the Public Interest Act, 2009, was €85,761 [2015: €80,174].

The average number of employees during the year was 19 [2015: 15]. IAASA's complement of full time staff at 31 December 2016 was 20 [2015: 17].

IAASA employees are paid on the basis of salary scales analogous with civil service grades. These salaries represent total pay and IAASA does not pay overtime or similar allowances.

In accordance with Department of Public Expenditure & Reform requirements, 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 below:

	2016	2015
€60,000 to €69,999	3	3
€70,000 to €79,999	6	7
€80,000 to €89,999	3	1
€90,000 to €99,999	1	-
€100,000 to €109,999	1	1
€110,000 to €119,999	-	1
€120,000 to €129,999	1	-
	<u>15</u>	<u>13</u>

Irish Auditing & Accounting Supervisory Authority

Notes to Financial Statements

15 Board fees and expenses

Fees are payable to Board members at a rate specified from time to time by the Minister for Public Expenditure & Reform. In accordance with Department of Public Expenditure & Reform regulations and the Code of Practice for the Governance of State Bodies ('the Code'), fees are not payable to certain Board members who are also public servants.

	2016 €	2015 €
Professor Brendan Walsh	4,523	11,970
Martin Sisk	328	-
Marie Daly	7,695	7,695
David Devlin	5,460	7,695
Etain Doyle	7,695	7,695
Sean Hawkshaw	-	7,695
Bernadette McGrory-Farrell	-	7,695
Aileen O'Donoghue	7,695	7,695
Michael Quinlan	7,695	7,695
	41,091	65,835

In addition, a total of €nil [2015: €4,970] was incurred by Board members during the year in furtherance of their duties. These amounts include both expenses paid directly to Board members and those incurred by IAASA on their behalf. Expenses paid to or incurred on behalf of the Chief Executive, who is also a Board member, totalled €18,200 [2015: €13,624], as detailed in Note 24.

16 Travel & Subsistence

	2016 €	2015 €
National	19,673	20,015
International	57,081	44,499
	76,754	64,514

17 Legal & Professional Services

	2016 €	2015 €
Financial Statement Review (Transparency Directive)	32,294	76,452
Committees of Enquiry - Section 933	21,642	19,438
Committees of Investigation - Section 934	-	11,199
Legal Advice	23,015	79,202
Internal Audit & Actuarial Services	12,748	7,547
PAB review	-	1,755
Organisational review	-	205
PR Services	14,760	14,760
Registration of Liquidators	46,854	40,378
Audit Reform	38,956	62,896
Recruitment Services	33,733	39,360
HR/Medical	240	826
	<u>224,242</u>	<u>354,018</u>

18 Official Entertainment/hospitality expenditure

Total expenditure on entertainment, included in the Statement of Income & Expenditure as Office Expenditure, is €357 [2015: €90]

19 Auditor's remuneration

	2016 €	2015 €
Audit of company financial statements	<u>12,000</u>	<u>10,500</u>

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

20 Finance income - analysis of interest

	Fixed Term deposit Reserve €	Fixed Term deposit Non-Reserve €	TOTAL 2016 €	TOTAL 2017 €
Gross interest receivable	1,810	810	2,620	8,539
DIRT	(742)	(332)	(1,074)	3,501
Net interest receivable	<u>1,068</u>	<u>478</u>	<u>1,546</u>	<u>5,038</u>

Irish Auditing & Accounting Supervisory Authority Notes to Financial Statements

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

	2016 €	2015 €
Surplus for the year	9,127	67,737
Non Operating Items:		
Add: reallocation of fixed assets to expenditure	80,613	-
Less: Finance income	(1,700)	(6,142)
	88,040	61,595
Add:		
Increase in Payables	46,128	39,344
Increase/(Decrease) in Excess PABs Levy Income	87,497	(241)
Increase in Excess Departmental Grant Income	154,075	6,743
Increase in Excess PIE Levy Income	449,539	-
(Increase) in Receivables	(750,082)	(211)
(Increase)/Decrease in Inventory	(151)	53
Decrease in Deferred Finance Lease Costs	653	841
(Decrease) in Finance Lease Obligations	(2,243)	(2,243)
Increase/(Decrease) in Deferred Rent Incentive	25,463	(1,452)
Depreciation	26,585	9,896
	37,464	52,730
Net Cash Inflow from Operating Activities	125,504	114,325

22 Analysis of changes in net funds

	Cash at Bank & on Hand €	Cash on Fixed Term Deposit (Non-Reserve) €	Cash on Fixed Term Deposit (Reserve) €	TOTAL €
Balance at 1 January, 2016	193,662	321,383	419,879	934,924
Cash flow for year	(150,413)	200,491	(29,773)	20,305
Balance at 31 December, 2016	43,249	521,874	390,106	955,229

23 Taxation

IAASA is a non-commercial state-sponsored body for tax purposes and, accordingly, income and capital gains arising, if any, are not liable to income tax or capital gains tax respectively. IAASA is not, however, exempt from Deposit Interest Retention Tax ('DIRT').

24 Financial Commitments

24.1 Capital Commitments

There are no capital commitments as at 31 December 2016.

24.2 Rental commitments

IAASA's premises are leased on behalf of the State by the OPW. IAASA in turn rents the premises from the OPW, but has provided no undertakings in this regard. Given that IAASA is not a party to the lease, it has no rental commitments in the coming twelve months.

Rental commitments under the lease in the coming twelve months, which are payable by the OPW, will be €154,237.

25 Chief Executive's salary and expenses

Ms Helen Hall was employed as Chief Executive until 14 January 2016. Mr Michael Kavanagh served as interim Chief Executive until 13 November 2016, and Mr Kevin Prendergast was appointed as Chief Executive from 14 November 2016. Their respective remunerations are detailed below. These amounts are approved by the Minister with the consent of the Minister for Public Expenditure & Reform. The Chief Executive was not entitled to receive a Board fee, and the Performance Related Bonus Scheme was not in operation in 2016. Ms Hall was and Mr Kavanagh is a member of IAASA's Employee and Spouses, Civil Partners & Children's superannuation schemes (as detailed in Note 11), and the relevant employer contribution in this regard is also detailed below. Mr Prendergast remains a member of the Civil Service Pension Scheme. The foregoing represents the Chief Executives' total remuneration package for the period.

	H Hall	2016	K Prendergast	2015
	€	M Kavanagh	€	H Hall
	€	€	€	€
Gross salary	8,802	97,164	18,499	114,850
Superannuation	2,201	24,291	-	26,004
	11,003	121,455	18,499	140,854

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

	H Hall	2016	K Prendergast	2015
	€	M Kavanagh	€	H Hall
	€	€	€	€
Professional memberships <i>(subject to BIK where applicable)</i>	1,465	-	-	1,465
Travel & Subsistence, incl. air fares	246	10,400	2,282	9,024
Mobile phone costs	102	570	40	1,147
Internet Services	-	250	50	522
Training	-	-	-	885
Incidentals	70	2,709	16	581
	1,883	13,929	2,388	13,624

Irish Auditing & Accounting Supervisory Authority Notes to Financial Statements

26 Related Party Transactions

26.1 Directors

Details of all payments made to IAASA non-executive directors and the Chief Executive are set out in Notes 15 and 25 respectively. There were no other transactions with directors during the year [2015: nil], and no balances outstanding at the reporting date [balance at 31 December 2015: nil].

26.2 Key management personnel

The responsibility for planning, directing and controlling the activities of IAASA rests exclusively with the Board of directors and the Chief Executive, who is also a director. As alluded to above, all payments made to these key management personnel are set out in Notes 15 and 25 respectively.

26.3 Other related parties

There were no other related party transactions during 2016 or 2015 and there were no amounts outstanding at either year end.

27 Board Members – Disclosure of Transactions

In accordance with the Code of Practice for the Governance of State Bodies, IAASA has in place a Code of Business Conduct for Board members. The Code of Business Conduct includes guidance in relation to the disclosure of interests by Board members and these procedures have been adhered to by the Board during the year covered by these financial statements. During the year under review, there were no financial transactions with directors other than the payment of Board fees and expenses detailed in Note 15. There were no occasions whereby a Board Member disclosed a financial interest during 2016.

28 Approval of the Financial Statements

The Financial Statements were approved and authorised for issue by the Board of Directors on 30 May 2017



APPENDICES

APPENDIX 1

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

Composition of Board at 31 December 2016

Board member	Occupation	Nominating body	Date appointed
Martin Sisk (Chairperson)	Solicitor & Former Regulator	Minister	21 December 2016
Deirdre Behan	Principal Officer, Revenue Commissioners	Revenue Commissioners	3 January 2012
Mary Burke*	Head of the Prudential Policy and Governance, Central Bank	Central Bank	14 October 2015
Marie Daly	Head of Legal & Regulatory Affairs, IBEC	IBEC	3 January 2006
David Devlin*	Accountant	PABs	1 October 2016 ⁵
Etain Doyle*	Accountant	PABs	30 May 2014
Aileen O'Donoghue	Director of Strategy, Policy and Communication, ISE	ISE	3 January 2014
Conor O'Mahony	Principal Officer, ODCE	Director of Corporate Enforcement	1 March 2012
Kevin Prendergast	Chief Executive	<i>Ex-officio</i>	14 November 2016
Michael Quinlan	Principal, Dixon Quinlan, Solicitors	Law Society of Ireland	3 January 2011

* Denotes membership of a Prescribed Accountancy Body

⁵ Mr Devlin was originally appointed to the Board of IAASA on 30 May 2014. He resigned from the Board on 16 June 2016 as he became ineligible for appointment under SI312. He became eligible for appointment again on 1 October 2016, and was reappointed by the Minister on the nomination of the PABs.

Details of changes in Board membership during the year

Name	Nominating body	Date joined the board	Date left the board	Narrative
David Devlin*	PABs	1 October 2014	16 June 2016	Ineligible for membership under SI312 for the period 1 October 2013 to 30 September 2016
Helen Hall*	<i>Ex-officio</i>	18 December 2012	13 January 2016	Date of resignation as Chief Executive
Seán Hawkshaw	IAIM	3 January 2006	31 December 2015	Resignation
Michael Kavanagh*	<i>Ex-officio</i>	14 January 2016	13 November 2016	<i>Ex-officio</i> director while acting as interim Chief Executive.
Paddy Keating	ICTU	3 January 2013	2 January 2016	Expiration of warrant of appointment
Bernadette McGrory-Farrell*	PABs	3 January 2013	2 January 2016	Expiration of warrant of appointment
Sylvia McNeece Authority	Pensions	3 January 2012	31 December 2015	Resignation
Kevin Prendergast*	<i>Ex-officio</i>	14 November 2016	-	Date of appointment as Chief Executive
Martin Sisk	Minister	21 December 2016	-	Date of appointment as Chairperson
Prof. Brendan Walsh	Minister	3 December 2013	17 May 2016	Date of death

* Denotes membership of a Prescribed Accountancy Body

APPENDIX 2

Issuers examined by the financial reporting supervision unit during 2016

Issuer	Report type	Examination type	Reporting date
Equity issuers examined in 2016			
Aryzta AG	Half-yearly	Focused	31-Jan-16
Aryzta AG	Annual	Focused	31-Jul-16
Aryzta AG	Annual	Follow-up	31-Jul-16
Cairn Homes plc	Annual	Unlimited	31-Dec-15
CRH plc	Annual	Focused	31-Dec-15
DCC plc	Annual	Focused	31-Mar-16
FBD Holdings plc	Half-yearly	Unlimited	30-Jun-15
FBD Holdings plc	Annual	Focused	31-Dec-15
Glanbia plc	Annual	Focused	03-Jan-15
Glanbia plc	Annual	Focused	02-Jan-16
Grafton Group plc	Half-yearly	Unlimited	30-Jun-16
Green REIT plc	Half-yearly	Focused	31-Dec-15
Greencore Group plc	Annual	Follow-up	25-Sep-15
Hibernia REIT plc	Annual	Focused	31-Mar-16
IFG Group plc	Annual	Follow-up	31-Dec-15
IFG Group plc	Annual	Focused	31-Dec-15
Independent News and Media plc	Annual	Focused	31-Dec-15
Irish Continental Group plc	Annual	Focused	31-Dec-15
Irish Residential Properties REIT plc	Annual	Follow-up	31-Dec-15
Irish Residential Properties REIT plc	Annual	Focused	31-Dec-15
Kenmare Resources plc	Annual	Unlimited	31-Dec-15
Kerry Group plc	Annual	Focused	31-Dec-15
Mainstay Medical International plc	Annual	Follow-up	31-Dec-15
Mainstay Medical International plc	Annual	Focused	31-Dec-15
Paddy Power Betfair plc	Annual	Focused	31-Dec-15
Permanent TSB Group Holdings plc	Annual	Follow-up	31-Dec-14
Permanent TSB Group Holdings plc	Annual	Focused	31-Dec-15
Permanent TSB Group Holdings plc	Annual	Focused	31-Dec-14
Smurfit Kappa Group plc	Annual	Focused	31-Dec-15
UDG Healthcare plc	Annual	Follow-up	30-Sep-15

Issuer	Report type	Examination type	Reporting date
Closed-ended Fund issuers examined in 2016			
Crown Asia-Pacific Private Equity III plc	Annual	Unlimited	31-Dec-15
Crown Co-Investment Opportunities plc	Annual	Follow-up	31-Dec-15
Crown Global Secondaries II plc	Annual	Follow-up	31-Dec-15
Crown Global Secondaries III plc	Annual	Follow-up	31-Dec-15
Global Fixed Income Realisation Ltd	Annual	Follow-up	31-Dec-15
Debt issuers examined in 2016			
AerCap Global Aviation Trust	Annual	Unlimited	31-Dec-15
Allied Irish Banks plc	Annual	Unlimited	31-Dec-15
BrokerCredit Service Structured Products plc	Annual	Unlimited	31-Dec-15
Freshwater Finance plc	Half-yearly	Focused	30-Jun-15
Freshwater Finance plc	Annual	Follow-up	31-Dec-15
Freshwater Finance plc	Half-yearly	Focused	30-Jun-16
Land Securities Capital Markets plc	Half-yearly	Focused	30-Sep-15
Morgan Stanley Asia Products Ltd	Annual	Unlimited	31-Dec-14
Pelican Mortgages No 1 plc	Half-yearly	Focused	30-Jun-16
Santander International Products plc	Annual	Focused	31-Dec-15

Notes:

- Focused examinations are different in nature to follow-up examinations and are classified as a separate examination. For that reason an issuer may appear more than once in the list of examinations for the same financial statements.
- The examinations performed by IAASA during 2016 (as above) includes three examinations which were commenced in 2016 and on-going as at 31 December 2016.
- The issuers selected for thematic examinations are listed in the publication, if any, resulting from the thematic examination and are not, therefore, listed in the above Table.

APPENDIX 3

Tables of decisions presented by IAASA during 2016 to the European Enforcers' Coordination Sessions

IAASA decisions to EECS database of financial reporting decisions	
Financial reporting pronouncement	Financial reporting matters considered
IAS 1	Disclosures where the gross presentation of gains/(losses) on financial assets will be separate from the (losses)/gains from financial liabilities on the face of the Statement of Other Comprehensive Income
IAS 36	Disclosures required for an individual cash generating unit in accordance with the requirements of IAS 36.134(f)
IAS 32	Determination of whether 'conversion price adjustments' in a convertible bond breaches the 'fixed-for-fixed' condition of IAS 32.22
IFRS 7	Disclosures provided in respect of certain market risk information relating to the market risk of property in accordance with IFRS 7.33 (a), (b) and IFRS 7.40.
IAS 12	Disclosures provided in relation to the quantification of the underlying key Deferred Tax Assets assumptions
IFRS 11	Treatment of an investment in an entity as an associate rather than as a joint venture
IAS 8, IAS 34	Correction of material prior period errors retrospectively in the first set of financial statements authorised for issue which in this instance were interim financial statements
IFRS 2	Determination of the grant date (for equity settled share-based payments) when the grant is subject to an approval process after the year end
IFRS 13	Disclosures by a Real Estate Investment Trust (REIT) of unobservable assumptions supporting fair values, in this instance, estimated rental values used to determine the fair value of investment properties classified at level 3 fair values and the sensitivity of fair values to changes in significant unobservable inputs
IAS 7	Classification of cash flows resulting from the purchase and disposal of financial assets as 'investing' activities in accordance with IAS 7.6, 16(c) and 16(d) and cash flows resulting from the issuing of structured notes and related financial instruments as 'financing' activities in accordance with IAS 7.6, 17(c) and 17(d).

IAASA emerging issues presented to EECS plenary meetings for discussion during 2016

Financial reporting pronouncement	Financial reporting matters considered
IFRS 11	Treatment of an investment in an entity as an associate rather than as a joint venture
IAS 8, IAS 34	Correction of material prior period errors retrospectively in the first set of financial statements authorised for issue which in this instance were interim financial statements
IFRS 2	Determination of the grant date (for equity settled share-based payments) when the grant is subject to an approval process after the year end
IFRS 10	Establish whether or not a parent company is required to prepare consolidated financial statements in accordance with IFRS 10.4 in circumstances where the parent company is not required by its National law (Cypriot company law in this instance) to prepare, and does not prepare consolidated financial statements



GLOSSARY

AAC	Audit and Assurance Council of the FRC
ACCA	Association of Chartered Certified Accountants
Act, the	Companies Act 2014
AIA	Association of International Accountants
Authority, the	Irish Auditing and Accounting Supervisory Authority
C&AG	Comptroller and Auditor General
Central Bank	Central Bank of Ireland
CIMA	Chartered Institute of Management Accountants
CIPFA	Chartered Institute of Public Finance & Accountancy
CLRG	Company Law Review Group
Code, the	Code of Practice for the Governance of State Bodies
Corporate Reporting Council	Corporate Reporting Council of the FRC
CPA	Institute of Certified Public Accountants in Ireland
CRO	Companies Registration Office
Department	The Department of Jobs, Enterprise and Innovation
DPER	Department of Public Expenditure & Reform
EAIG	European Audit Inspection Group
EC	European Commission
EEA	European Economic Area
EECS	European Enforcers' Co-ordination Sessions
ESMA	European Securities and Markets Authority
EU	European Union
EU Audit Regulation (the)	Regulation (EU) No 537/2014
FRC	Financial Reporting Council
FRS	Financial Reporting Standard
FRS 8	<i>FRS 8 Related Party Disclosures</i>
FRS 25	<i>FRS 25 Financial Instruments: Presentation</i>
FRS 29	<i>FRS 29 Financial Instruments: Disclosure</i>
GAAP	Generally Accepted Accounting Principles
IAA	Individually Authorised Auditor
IAASB	International Auditing and Assurance Standards Board
IAS	International Accounting Standard(s)
IAS 1	<i>IAS 1 Presentation of Financial Statements</i>
IAS 7	<i>IAS 7 Statement of Cash Flows</i>
IAS 12	<i>IAS 12 Income Taxes</i>

IAS 19	IAS 19 <i>Employee Benefits</i>
IAS 24	IAS 24 <i>Related Party Disclosures</i>
IAS 32	IAS 32 <i>Financial Instruments - Presentation</i>
IAS 34	IAS 34 <i>Interim Financial Reporting</i>
IAS 36	IAS 36 <i>Impairment of Assets</i>
IAS 37	IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>
IASB	International Accounting Standards Board
IBEC	Irish Business and Employers' Confederation
ICAEW	Institute of Chartered Accountants in England & Wales
ICAI	Institute of Chartered Accountants in Ireland
ICAS	Institute of Chartered Accountants of Scotland
IFAC	International Federation of Accountants
IFIAR	International Forum of Independent Audit Regulators
IFRS	International Financial Reporting Standards
IFRS 3	IFRS 3 <i>Business Combinations</i>
IFRS 7	IFRS 7 <i>Financial Instruments: Disclosure</i>
IFRS 8	IFRS 8 <i>Operating Segments</i>
IFRS 13	IFRS 13 <i>Fair Value Measurement</i>
IFRS-IC	IFRS <i>Interpretations Committee</i>
IFSC	International Financial Services Centre
IIPA	Institute of Incorporated Public Accountants
ISAs	International Standards on Auditing
ISE	Irish Stock Exchange
Issuer	An entity coming within IAASA's remit under the Transparency Regulations
Minister, the	Minister for Jobs, Enterprise & Innovation
MoU	Memorandum of Understanding
ODCE	Office of the Director of Corporate Enforcement
PAB	Prescribed Accountancy Body
PCAOB	Public Company Accounting Oversight Board (US)
PECs	Preliminary Enquiry Committees (Section 933)
Periodic Financial Reports	Refers collectively to annual and half-yearly financial reports published pursuant to the Transparency Regulations
PIEs	Public Interest Entities
RAB	Recognised Accountancy Body
Relevant reporting framework	The body of financial reporting standards, legislation, codes and rules with which issuers are required to comply in preparing the annual and half-yearly financial reports

SI	Statutory Instrument
SI 312	Statutory Instrument 312 of 2016 <i>European Union (Statutory Audits) (Directive 2006/43/EC, as amended by Directive 2014/56/EU, And Regulation (EU) No 537/2014) Regulations 2016</i>
Statutory Audit Directive	Directive 2006/43/EC
Statutory Audit Directive Regulations	European Communities (Statutory Audits) (Directive 2006/43/EC) Regulations 2010 (SI No. 220 of 2010)
Third country	Non-EU
Transitional Regulations	European Communities (Transitional Period Measures in Respect of Third Country Auditors) Regulations 2009 (SI No. 229 of 2009)
Transparency Regulations/ TD Regs	Transparency (Directive 2004/109/EC) Regulations, 2007
Transparency Directive	Directive 2004/109/EC
Transparency Rules	Transparency Rules issued by the Central Bank of Ireland (November 2012)
2003 Act, the	Companies (Auditing and Accounting) Act, 2003 (repealed)



IAASA

Irish Auditing & Accounting
Supervisory Authority

Willow House, Millennium Park, Naas, Co Kildare, Ireland

Tel: +353 (0) 45 983 600 | **Fax:** +353 (0) 45 983 601 | www.iaasa.ie