

The background is a solid dark blue color. It features several large, overlapping, curved shapes in various shades of blue, ranging from a very dark navy to a bright cyan. These shapes create a sense of depth and movement, with some appearing as if they are layered on top of others. The overall effect is modern and professional.

Chapter 4

Governance and Structure

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4.1. Legal structure

IAASA is a company limited by guarantee with the following 12 members of the company at 31 December 2018:

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

* Denotes a PAB

4.2. Organisational structure

4.2.1. Overview

By year-end, IAASA had 29 (2017: 24) staff, structured into four units as follows:

- Statutory Reporting Quality, which was concerned principally with:
 - quality assurance of audits of PIEs; and
 - certain entities' financial reporting examination and enforcement;
- Regulatory and Monitoring Supervision, which was concerned principally with:
 - supervision of the PABs' regulation of their members;
 - the adoption of Auditing Standards in Ireland; and
 - registration of 'Category 5' liquidators;
- Conduct and Legal Services, which, in addition to providing in-house legal advice, coordinates the Authority's statutory investigations and procedures; and
- Finance and Administration, which provides corporate services support to IAASA, together with providing a Secretariat to the Board and to certain of its Committees.

4.2.2. Approved staff complement

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

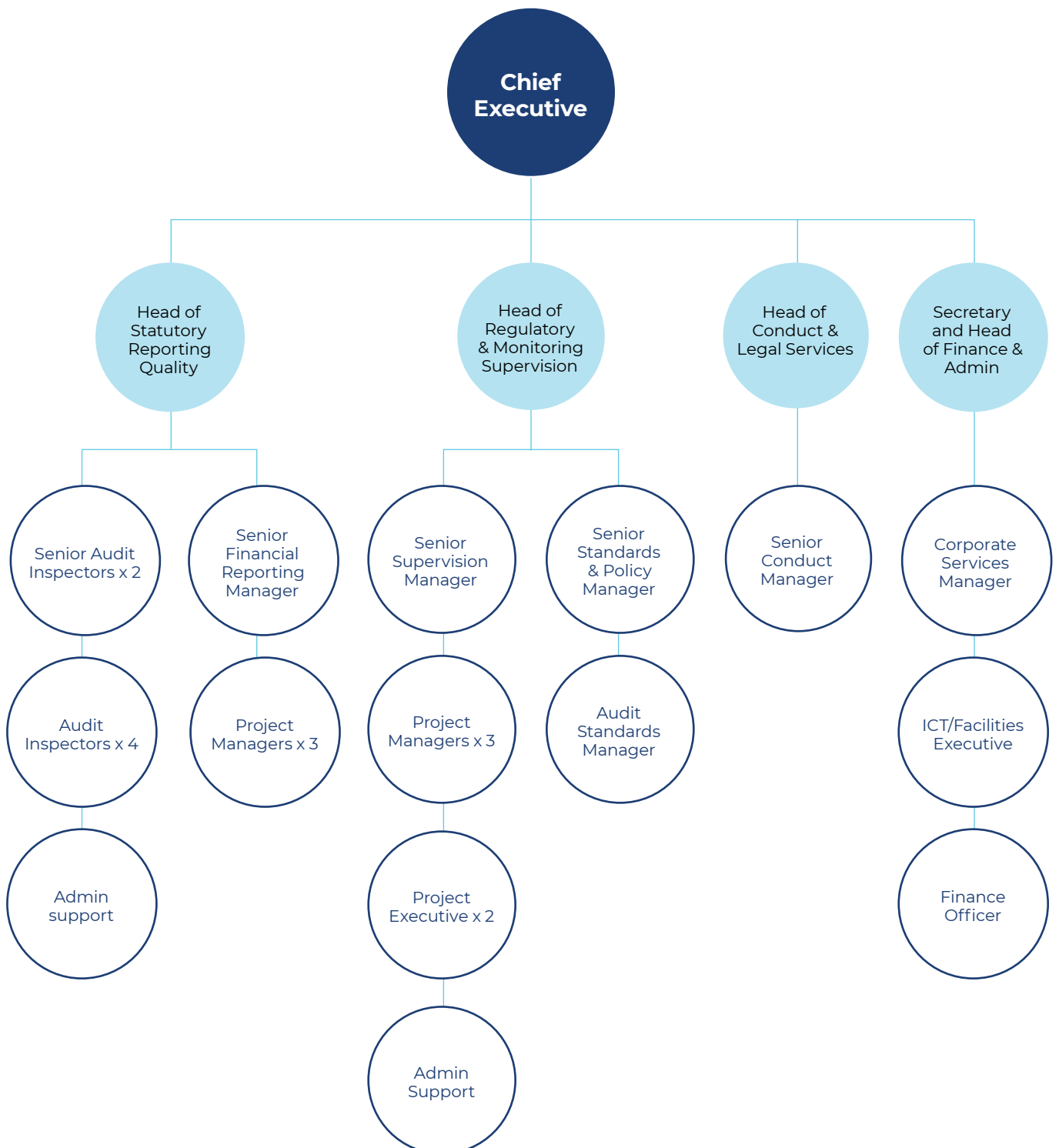
Table 4.1: Approved and actual staff complements as at year end

Grade	Approved	Actual
Chief Executive	1	1
Heads of Function	5	4
Senior Managers/Inspectors	15	10
Project/Policy Managers	10	8
Project/Administrative Executives	10	5
Clerical Support Staff	2	1
Total	43	29

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4.2.3 Organisational chart

IAASA's organisational structure as at 31 December 2018, reflecting the actual staff complement at that date, was as set out in the organisation chart below.



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4.3. Financial Overview

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

Total expenditure in 2018 amounted to €3.8m (2017: €3.1m) from a budget of €5.9m (2017: €5.6m). The principal variations from budget comprised:

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

4.4. Governance

4.4.1. Board of directors

Pursuant to the Act, IAASA is governed by a Board of nine directors, eight of whom are non-executive and appointed by the Minister having been nominated by those entities set out in Table 4.2. The remaining director is the Chief Executive, who is appointed by the Board. The Act specifies that the Authority operates independently of Government and the Minister is statutorily precluded from giving directions to the Authority in the discharge of its functions.

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

Table 4.2: Board of directors – nominating bodies

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

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

4.4.2. Directors' biographies

Set out below are brief biographies of those persons who were members of the Board as at the date of issue of this Report, i.e. 30 April 2019. The Board composition at year end and changes in directors since the last Annual Report are tabulated in Appendix 1.

Martin Sisk, Chairperson, has over 31 years regulatory and business related experience. A qualified solicitor, he started his career in the Revenue Commissioners, served as Registrar of Friendly Societies 1985–2003, Deputy Registrar of Credit Unions 2003–2006, Deputy Head of Consumer Protection Codes 2007–2008 and as Head of the Anti-Money Laundering, Terrorist Finance and Financial Sanctions Unit of the Central Bank 2008–2010. He retired from the Central Bank in July 2010. Martin was elected to the Board of Malahide and District Credit Union in December 2010 and continues to be a Director. He was elected to the Board of the Irish League of Credit Unions in February 2011 and was subsequently elected as Vice President 2011–2013 and President 2013–2015. He continues to be a Director. Martin was appointed a Director of VHI Healthcare in March 2012 for a three year term (2012–2015) and was subsequently appointed as Chairman in September 2012 for the remainder of his term. Martin was appointed 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. As well as a holding a Bachelors Degree and a Masters in Accounting from University College Dublin, he also holds an MSc in Executive Leadership from the University of Ulster.

Mary Burke is Head of the Governance and Operational Resilience Division of the Central Bank of Ireland. The Division is responsible for the provision of specialist expertise in areas of non-financial risk (including claims underwriting, governance, culture, operation, cyber and information technology) for inspections and ongoing supervision in order to support and challenge the regulation/supervision of financial services firms. 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 Financial Risks and Governance Policy and Head of Banking Supervision. Mary is a Fellow of the ACCA.

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

David Devlin was a partner in PwC in Dublin until 30 September 2012. He continued with the PwC global network for a further year, latterly as Leader, Public Policy and Regulatory Affairs for PwC's network firms in Europe. David was a member of the EC European Corporate Governance Forum from 2005 to 2011. He is a past President of FEE (now Accountancy Europe), having served two terms from 2002 to 2006. He was for two terms a member of International Federation of Accountants' International Ethics Standards Board for Accountants, which was 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 a member of the Board 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. She is a member of the IoD with extensive governance experience. Apart from Board membership of IAASA, she chairs the Technology Committee of ACCA Ireland which seeks to encourage members and provide opportunities for them to keep up to date on technology. She was ACCA Accountant of the Year in 2018 for this work. She is also Chairperson of the Audit Committee of the NCCA.

Nicole Lappin qualified as a barrister from King's Inns. Along with colleagues on the board of the Education Authority in Northern Ireland she oversaw the transition of five Education and Library Boards into a single organisation without loss of or reduction to services. In 2017 Nicole was appointed as an independent non-executive board member of the Northern Ireland Courts and Tribunals Service and currently chairs its audit and risk committee. Since July 2018 she has served as the chair of the Northern Ireland Ambulance Service Health and Social Care Trust. Through her role as Trust chair Nicole is also a non-executive member of the Paediatric Clinical Workstream for the Department of Health (NI); a Council member of the Association of Ambulance Chief Executives, (UK and Ireland); and a committee member of the Public Sector Chairs Forum (NI).

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

4.4.3. Board procedures

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

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

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

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4.5. Governance Statement

The Irish Auditing & Accounting Supervisory Authority ('IAASA') was established under the Companies (Auditing & Accounting) Act 2003 ('the 2003 Act'), and operates as a company limited by guarantee under the provisions of the Companies Act 2014 ('the Act'). The functions of the Board are set out in section 905 of the Act. The Board is statutorily independent in the performance of its functions and is responsible for ensuring good governance and performs this task by setting strategic objectives and targets and taking strategic decisions on all key business issues. The regular day-to-day management, control and direction of IAASA are the responsibility of the Chief Executive with the support and assistance of the senior management team. The Chief Executive and the senior management team must follow the broad strategic direction set by the Board, and must ensure that all Board members have a clear understanding of the key activities and decisions related to the entity, and of any significant risks likely to arise. While senior managers routinely attend Board meetings, the Chief Executive, who is a director, acts as a direct liaison between the Board and management of IAASA.

4.5.1. Board responsibilities

The work and responsibilities of the Board are set out in Schedule of Matters Reserved to the Board, the Code of Conduct for Board Members, and in related Board policies. Standing items considered by the Board include:

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

Section 927 of the Act requires IAASA to keep, in such form as may be approved by the Minister for Business, Enterprise & Innovation (with consent of the Minister for Public Expenditure and Reform), all proper and usual accounts of money received and expended by it.

In preparing these financial statements, the Board of IAASA is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that it will continue in operation; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Board is responsible for keeping adequate accounting records which disclose, with reasonable accuracy at any time, its financial position and enables it to ensure that the financial statements comply with section 927 of the 2014 Act, and as a company limited by guarantee, section 281 of the Act. The maintenance and integrity of the corporate and financial information on the IAASA's website is the responsibility of the Board.

The Board is responsible for approving the annual plan and budget. The Board approved the annual budget for 2018 at its meeting on 19 September 2017. Financial information including management accounts detailing actual and budgeted expenditure were considered by the Board at each scheduled meeting in 2018. Ongoing evaluation of operational issues also occurred at each meeting. The Authority's three year work programme 2017–2019 was approved by the Board on 20 December 2016. At its meeting of 30 January 2018, following an evaluation of the Board's performance, the Board agreed a revised approach to review of its annual business plan.

The Board is also responsible for safeguarding its assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board considers that the financial statements of IAASA give a true and fair view of the financial performance and the financial position of IAASA at 31 December 2018.

4.5.2. Board composition

As detailed above, IAASA is governed by a Board of nine directors. 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 Act provides that members may be appointed for a period of three to five years. Generally members are appointed for three year periods, and the Chairperson for five years. The composition of the Board at 31 December 2018, and movements since that date, are set out in Appendix 1.

The Board commenced a process of external evaluation of its own performance in early January 2019, which concluded at its meeting of 12 March 2019.

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4.5.3. Board Committees

The Board has established a number of Committees to assist it in discharging its functions and responsibilities. All Committees have written terms of reference and report regularly to the Board. Details of Committees' mandates and memberships are set out in Table 4.3.

Table 4.3: Board Committees – mandates and membership

Committee	Mandate	Membership at 31 December 2018
Section 933 committees	In accordance with section 933 of the Act from time to time IAASA establishes Preliminary Enquiry Committees ('PECs') and Enquiry Committees for the purpose of determining whether a PAB has complied with its approved investigation and disciplinary procedures or whether a RAB has complied with its obligations under Part 27 of the Act.	Board members are nominated to PECs/ Enquiry Committees as and when the need arises.
Section 934 committees	In accordance with section 934 of the Act from time to time IAASA establishes Preliminary Investigation Committees ('PICs') and Investigation Committees for the purpose of determining whether there has been a possible breach of standards by a PAB member, or into possible contraventions of, <i>inter alia</i> , part 27 of the Act or the EU Audit Regulation by a statutory auditor.	Board members are nominated to PICs/ Investigation Committees as and when the need arises.
Audit & Risk Committee	Monitoring the integrity of IAASA's financial statements, the effectiveness of IAASA's internal control and risk management systems and monitoring and reviewing the effectiveness of the internal and external audit processes.	Conor O'Mahony (Chairperson) David Devlin Nicole Lappin

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.

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4.5.4. Audit & Risk Committee

The Audit & Risk Committee ('ARC') comprises three non-executive directors and its terms of reference are set out in the Charter of the Audit & Risk Committee ('the Charter'), available on the Authority's website. The Charter sets out specific roles and responsibilities for the ARC and Table 4.4 sets out how these roles were discharged in 2018.

Table 4.4: Audit & Risk Committee activities

Charter Requirement	Actions taken during 2018
Internal controls and risk management systems (section 6.1)	<ul style="list-style-type: none"> The committee reviewed the Authority's risk register at each meeting in consultation with the Chief Risk Officer, who attended each meeting. The committee reviewed the System of Internal Control ('SIC') for 2017 in conjunction with the internal auditor.
Financial reporting (section 6.2)	<ul style="list-style-type: none"> The committee reviewed the 2017 Annual Report to the Minister, and considered the Report understandable, consistent and unbiased. The committee considered the Governance Statement included in the Annual Report and made recommendations regarding the format of the 2018 Statement.
Whistle-blowing (section 6.3)	<ul style="list-style-type: none"> The Board approved Internal and External Protected Disclosure procedures in December 2016, which replaced the previous whistle-blowing procedures.
Compliance with laws, regulations and the Code of Practice for the Governance of State Bodies ('the Code') (section 6.4)	<ul style="list-style-type: none"> As alluded to above, IAASA's internal auditor completed a detailed audit of the SIC, including testing of IAASA's compliance with the Code. The committee satisfied itself that no material instances of non-compliance arose during the year under review. The committee undertook an evaluation of its own performance. The Committee directed that a process of appraisal of its Chairperson's performance by the Board Chairperson be put in place. The committee undertook a review of its Charter and made recommendations to the Board in this regard.
Internal audit (section 6.5)	<ul style="list-style-type: none"> The committee considered a Value for Money audit report compiled by the Authority's internal auditors, CrowleysDFK. The Committee considered the overall CrowleysDFK's internal audit plan, and recommended an extension to their contract to end 2019.
External audit (section 6.6)	<ul style="list-style-type: none"> As mandated by the Act, the C&AG remained and remains IAASA's external auditor. The committee met with the C&AG Deputy Director of Audit in the absence of the Executive. The committee considered the C&AG's report on its 2017 audit as set out in the latter's management letter. The C&AG carried out its audit of the 2017 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 scheduled Board meeting in 2018.
Other matters (section 6.8)	<ul style="list-style-type: none"> The committee considered the Authority's compliance with the General Data Protection Regulation, including the appointment of a Data Protection Officer. The committee considered the potential risks arising from Brexit, and recommended revisions to the Authority's Risk Register.

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

The ARC will review the 2018 Financial Statements prior to their consideration and approval by the Board.

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

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4.5.5. Schedule of Attendance, Fees and Expenses

Details of fees and expenses paid to members are disclosed in the Authority's Financial Statements, and have been provided to the Minister for Business, Enterprise & Innovation.

	Board	ARC	PEC 2/2017	EC 1/2018	PIC 1/2018	Liq. Appeal Panel	Fees €	Expenses €
	Meetings attended/meetings eligible to attend						(Note 1)	(Note 2)
Martin Sisk (Chairperson)	9/9	-	-	-	-	-	11,970.00	6,394.04
Kevin Prendergast (Chief Executive)	9/9	-	-	-	-	-	-	(Note 3)
Mary Burke	9/9	-	-	-	-	-	-	75.00
Caitríona Crowley	9/9	-	-	2/2	-	1/1	-	75.00
David Devlin	7/9	3/4	-	-	-	-	7,695.00	-
Etain Doyle	7/9	-	-	-	-	1/1	7,695.00	191.45
Nicole Lappin	8/9	4/4	3/3	-	-	1/1	7,695.00	2,127.94
Aileen O'Donoghue (Note 4)	0/9	-	-	-	-	-	7,695.00	-
Conor O'Mahony	8/9	4/4	-	-	-/-	-	-	75.00

Note 1: Members who are public servants, including the Chief Executive, are not eligible to receive fees.

Note 2: In addition to the expenses set out in this Table, IAASA incurred costs of €2,782.90 in respect of room hire and incidental expenditure related to Board activities.

Note 3: Expenses paid to the Chief Executive, an *ex-officio* Director/Board member, are excluded from this table on the basis that they are incurred by him pursuant to his role as Chief Executive rather than as a Board member. In any event, any expenses paid to the Chief Executive are publicly disclosed in IAASA's financial statements.

Note 4: Ms O'Donoghue was unavailable to attend meetings due to unforeseen circumstances.

4.5.6. Key Personnel Changes

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

As set out above, Ms Deirdre Behan resigned from the Board on 2 January 2018 of the expiration of her warrant of appointment. She was replaced on 3 January 2018 by Ms Caitríona Crowley on the nomination of the Revenue Commissioners. Ms Mary Daly resigned from the Board on 2 January 2018 of the expiration of her warrant of appointment. As IBEC is not a nominating body under the 2014 Act, she was not replaced.

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4.5.7. Disclosures Required by Code of Practice for the Governance of State Bodies

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

- An analysis of total employee remuneration (including salaries and other benefits, but excluding employer superannuation contributions) for those earning over €60,000 is set out in Note 14 of the Authority's Financial Statements;
- An analysis of travel and subsistence is set out in Note 16 of the Authority's Financial Statements;
- An analysis of consultancy expenditure is set out in Note 17 of the Authority's Financial Statements;
- The Authority did not incur costs under the 'Legal Costs and Settlements' heading in 2018; and
- The Authority did not incur any hospitality expenditure in 2018.

4.5.8. Statement of Compliance

IAASA has complied with the requirements of the Code with the following exceptions:

- The Authority has developed detailed internal procurement processes within specified limits, and strictly adheres to these processes and to relevant Government circulars in this regard. The Authority is also party to contracts negotiated centrally by the Office of Government Procurement related to items such as air travel, stationery and ICT consumables. In view of the scale of the Authority, the development of a bespoke Corporate Procurement Plan as described in the Code was not considered a priority in 2018. Such a Plan has been put in place in 2019.

4.6. Other public sector and other governance obligations

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

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

4.6.2. Legal requirements under the Companies Acts

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

- held IAASA's twelfth Annual General Meeting on 10 July 2018; and
- filed the company's Annual Return with the Registrar of Companies on 12 July 2018.

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

4.6.3. Principal legal requirements under other legislation

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

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

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

4.6.4. GDPR

The Authority put in place a detailed planning project to address its responsibilities arising from the enactment of the Data Protection Act 2018. This included the creation of a suite of procedures and template documents, as well as the updating of several documents already in place. The Authority has a Data Protection Officer who works with the Chief Executive to oversee its ongoing responsibilities under GDPR.

4.6.5. Protected disclosures

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