

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 movement and depth, with some appearing as if they are layered on top of others. The overall effect is modern and dynamic.

# Chapter 3

Activities

## Chapter 3: Activities

### 3.1. Introduction

#### 3.1.1. Work Programme

IAASA is required under section 910 of the Act to prepare and submit a three year work programme to the Minister for Business, Enterprise & Innovation. The Authority's plan for the years 2017– 2019 is available on the IAASA website. The plan sets out IAASA's key strategies, activities and related outputs for the duration of the programme. It also analyses the staff, resources and expenditure in the context of the plan. During the year a new programme for the years 2020-2022 was approved by the Board.

#### 3.1.2. Strategies

The Authority's strategies for 2017-2019 were as follows:

- to apply a risk-based approach to oversight and supervision;
- to promote ongoing improvements in practice;
- to use its supervisory tools and enforcement powers to best effect;
- to engage effectively with the Authority's stakeholders;
- to make the most of EU and domestic collaborations;
- to develop its employees; and
- to maximise the impact of finite resources.

#### 3.1.3. Goals

These strategies were translated into activities and outputs, based on goals for each area of operation. These goals were as follows:

- to examine and promote improvements in the quality of financial reporting;
- to inspect and promote improvements in the quality of auditing of PIEs;
- to oversee the RABs' performance of their functions in respect of statutory auditors and to examine and promote improvements in the quality of the PABs' regulatory activities;
- to adopt and issue auditing standards and related guidance;
- to respond to non-compliance within IAASA's remit, promptly and proportionately;
- to promote adherence to high professional standards by accountants, auditors and preparers of financial reports; and
- to provide specialist advice to the Minister for Business, Enterprise & Innovation and high quality information to IAASA's stakeholders on key auditing and accounting matters.

#### 3.1.4. Business Plan

The Authority uses the work programme as a guide to prepare its annual business plan, setting out key objectives for the Authority. These key objectives, and how the Authority has set out to achieve them, are set out in the remainder of this chapter.

### 3.2. Auditing Framework

#### 3.2.1. Purpose

IAASA is responsible for adopting the standards applicable to the conduct of statutory audits in Ireland, including standards on professional ethics and internal quality control of audit firms.

The auditing framework for Ireland is based on the FRC Auditing Framework for the UK, which in turn is based on the international standards issued by the IAASB. This policy is reviewed on an ongoing basis to ensure that it remains the most effective and efficient approach for the Irish audit market.

Through its observer status at the Audit & Assurance Council of the FRC and participation in the CEAOB's International Auditing Standards subgroup, IAASA continually monitors developments in auditing standards both at FRC and international level.

Revised standards, reflecting changes to the UK and international standards and adapted for Irish requirements, are issued to ensure that the auditing framework in Ireland continues to reflect international best practice. Where the changes are substantive, a public consultation on the draft standard is issued prior to amendment of the auditing framework.

In addition, IAASA issues guidance notes to support the work of statutory auditors in applying the standards to particular circumstances and industries.

A Technical Advisory Panel advises IAASA at various stages of the development process of the auditing framework in Ireland, including identification of areas where standards or guidance are needed and advice on draft standards and guidance notes in the context of Irish specific requirements. Working groups are also appointed, as required, to support projects on specific topics.

#### 3.2.2. Significant developments

##### *Revised standards*

IAASA adopted two revised International Standards on Auditing (Ireland) during the year – ISA (Ireland) 540 *Auditing Accounting Estimates and Related Disclosures* and ISA (Ireland) 570 *Going Concern*. A number of ISAs (Ireland) were also updated to include conforming amendments required to reflect the revisions to ISA (Ireland) 540.

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### Guidance notes

In 2019, IAASA issued two guidance notes on the audit of credit unions and the duty of auditors to report to the Director of Corporate Enforcement.

### Engagement with peers, stakeholders and standard setters

IAASA continued to actively engage with peers, stakeholders and standard setters throughout the year including:

- public consultations on proposed revisions to the auditing framework for Ireland and draft guidance notes, and the publication of feedback statements in response to the comments received;
- attendance as observer at meetings of the FRC's Audit & Assurance Council;

- active participation in the CEAOB International Auditing Standards subgroup;
- periodic meetings of the Technical Advisory Panel and working groups;
- engagement with other regulatory bodies on proposed changes to the Irish auditing framework that reference matters within their remit; and
- contributing to the CEAOB's response to two IAASB consultations and the submission of IAASA comment letters to the IAASB.

Appendix 4 lists the publications issued by IAASA in 2019, including changes to the auditing framework in Ireland, consultation papers, feedback papers and comment letters.

### 3.2.3. Activities arising from Business Plan

Business Plan Objectives	Outcomes
<b>Maintain and update the Auditing Framework for Ireland</b>	<ul style="list-style-type: none"> <li>• During the year, IAASA issued two revised International Standards on Auditing (Ireland) and updated certain other standards for related conforming amendments.</li> <li>• Monitored developments in international and UK auditing standards, including through attendance as an observer at meetings of the FRC's Audit &amp; Assurance Council and participation in the CEAOB International Auditing Standards subgroup.</li> </ul>
<b>Engagement with peers</b>	<ul style="list-style-type: none"> <li>• Participation in the CEAOB International Auditing Standards subgroup, including periodic conference calls and the annual meetings with the international standard setting boards (PIOB, IAASB and IESBA).</li> </ul>
<b>Engagement with stakeholders and advocacy</b>	<ul style="list-style-type: none"> <li>• IAASA re-evaluated the operation and suitability of the risk scoring matrix and further developed the determination of risk factors used in that matrix to assign risk scores to issuers to aid in our allocating limited resources to those areas meriting greatest focus</li> </ul>
<b>Further develop standards and guidance methodology</b>	<ul style="list-style-type: none"> <li>• Four Technical Advisory Panel meetings took place during the year and two working groups provided support on the development of guidance notes.</li> <li>• Presentation at the annual CEAOB International Auditing Standards subgroup with the international standard setters.</li> <li>• Meeting with ICAI, including committee members and audit firms.</li> <li>• Issued three consultations relating to auditing standards and guidance notes during the year. Prior to issuing the consultations, IAASA engaged with the Technical Advisory Panel and, where relevant, IAASA working groups and regulatory bodies.</li> <li>• Contributed to the development of the CEAOB's responses to audit related consultations issued by the IAASB and submitted two individual responses to IAASB consultations.</li> </ul>
<b>Engage in advocacy activities with IAASA's wider stakeholders</b>	<ul style="list-style-type: none"> <li>• Two guidance notes for auditors were issued in 2019 - reporting to the Director of Corporate Enforcement and the audit of credit unions.</li> </ul>

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### 3.3. Supervision of the Auditing and Accounting Profession

#### 3.3.1. Purpose

IAASA's principal functions relating to the supervision of the accountancy profession, carried out by its Regulatory & Monitoring Supervision Unit, are to:

- oversee the RABs' performance of the functions assigned to them in respect of statutory auditors; and
- examine and promote improvements in the quality of the PABs' regulatory activities.

A PAB is an accountancy body that comes within IAASA's supervisory remit. At 31 December 2019, there were eight PABs:

<b>ACCA</b>	Association of Chartered Certified Accountants;
<b>AIA</b>	Association of International Accountants;
<b>CIMA</b>	Chartered Institute of Management Accountants;
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy;
<b>CPA</b>	Institute of Certified Public Accountants in Ireland;
<b>ICAEW</b>	Institute of Chartered Accountants in England and Wales;
<b>ICAI</b>	Institute of Chartered Accountants in Ireland; and
<b>ICAS</b>	Institute of Chartered Accountants of Scotland

At 31 December 2019, five of the eight PABs were also recognised as RABs: ACCA, CPA, ICAEW, ICAI and ICAS.

A RAB is a body of accountants that may authorise its members/ member firms to practice as auditors in Ireland. In addition to the approval and registration of their members/ member firms as auditors, the Act assigns responsibility to the RABs for continuing education, quality assurance and the investigation and discipline of auditors, to the extent that such activities are not required to be carried out by IAASA in respect of the audit of PIEs.

Details of the bodies' membership, student numbers, public practice profiles and their regulatory activities during the year are set out in a separate publication *Profile of the Profession 2019*, which will be available on the IAASA website.

#### 3.3.2. Significant developments

##### *Brexit*

During 2019, the Authority engaged with all stakeholders, including the Department, the relevant UK department, the RABs and its UK counterpart, the FRC on the impact of Brexit. There was on-going engagement with these stakeholders in relation to the advice communicated by the Department following engagement with the Attorney General, that UK based auditors regardless of their RAB's

location would cease to be Irish statutory auditors after the United Kingdom leaves the EU. The Authority has continued to engage with stakeholders to clarify how this withdrawal will operate in practice.

Throughout 2019, the Chief Executive also participated in Brexit coordination meetings held by the Department to which all relevant Agencies were invited.

IAASA also engaged with the RABs in relation to audit firm ownership criteria and the necessity for a majority of members on the management body of an audit firm to be eligible to be statutory auditors. This resulted in amendments to the RABs' regulations as well as consequential implications for a number of audit firms' ownership structures or registrations in Ireland.

##### *Companies (Statutory Audits) Act 2018*

The Companies (Statutory Audits) Act 2018 deemed the RABs to be recognised by the Authority for the purposes of the Act and continues the model of direct performance of the regulatory tasks by the RABs with oversight by the Authority. Those tasks are licensing and registration, quality assurance, continuing professional development ('CPD') and investigation and discipline of statutory auditors, except those in relation to PIE audits that are performed directly by IAASA.

During the year, IAASA staff liaised with the RABs to assess the impact of the Act's provisions on the overall regulatory framework for the oversight of auditors. In 2019, in line with requirements of the Act, the Authority engaged with the RABs in relation to the following:

- compliance with obligations set out in the Act;
- compliance with the General and Exemptions Guidelines, which both became effective from 1 April 2019; and
- obtained a compliance statement from the RABs for 2019, as required under the General Guidelines issued by IAASA.

##### *Supervisory engagement*

IAASA holds regular review meetings with all bodies where regulatory matters are discussed. These generally include PAB governance and oversight of regulatory areas; updates on regulatory matters; status updates on open recommendations arising from supervisory visits or thematic reviews, and proposed amendments to constitutional documents requiring IAASA approval. Action points arising from the engagement are issued and followed up on during the year.

A further method by which the Authority assesses the PABs' regulatory processes is by means of on-site supervisory visits and thematic desktop reviews (Appendix 3 refers).

IAASA concluded a desktop review focused on the eight PABs' CPD arrangements. Supervisory expectations for

## Chapter 3: Activities

CPD arising from work undertaken were communicated to the PABs and specific findings for each body were communicated individually.

In addition to the CPD review, IAASA concluded one (2018: five) supervisory visit during the year focused on the investigation and disciplinary process of the RAB and resulted in recommendations relating to timeliness, management information systems and governance. Three further on-site reviews were on-going with RABs at 31 December 2019, one visit reviewed a RAB's investigation and disciplinary arrangements and two considered audit licensing.

Following supervisory visits, IAASA issues correspondence setting out findings identified during the review. Often these matters can be addressed by implementing recommendations issued by the Authority. At year end, IAASA continued to actively consider a number of matters and to monitor the relevant PABs' actions to implement recommendations contained in previous supervisory visit reports.

### 3.3.3. Activities arising from Business Plan

Business Plan Objectives	Outcomes
<b>Supervision of the PABs' regulatory activities</b>	<ul style="list-style-type: none"> <li>One (2018: five) supervisory visit report was issued relating to investigation and disciplinary arrangements.</li> <li>One (2018: zero) thematic report was issued arising from the review of the system of continuing professional development in the prescribed accountancy bodies.</li> <li>One supervisory RAB review is on-going in relation to investigation and disciplinary arrangements and two supervisory RAB reviews are on-going in relation to audit licensing. The on-site work has been completed for all reviews in 2019.</li> <li>Reviewed PAB regulatory returns and relevant publications.</li> </ul>
<b>Oversight of the RABs' functions in respect of statutory auditors</b>	<ul style="list-style-type: none"> <li>Regular meetings were held with the RABs on regulatory matters, following which action points were issued and their progress monitored.</li> <li>IAASA had periodic engagement with the FRC in relation to the RABs within our common remit.</li> <li>Published the 2018 Annual Audit Programme and Activity Report in June 2019.</li> <li>Engaged with the RABs in respect of compliance with the 2014 Act and with guidelines issued by IAASA.</li> <li>Reviewed and sought updates on RAB annual regulatory plans.</li> </ul>
<b>Supervision of the Accounting Profession</b>	<ul style="list-style-type: none"> <li>A total of nine (2018: eight) review meetings with PAB representatives took place during the year.</li> <li>41 (2018: 42) new or revised PAB constitutional documents were approved. At 31 December 2019, there were also 18 reviews of constitutional documents in progress.</li> <li>30 (2018: 22) complaints relating to PABs and their members were dealt with and responses provided to 263 (2018: 184) queries from a range of stakeholders.</li> <li>Feedback provided on 10 PAB policies or guidance material.</li> </ul>
<b>Respond to Brexit impact</b>	<ul style="list-style-type: none"> <li>Contribution to the Authority's preparations for Brexit and its audit implications.</li> <li>Engagement with the Department, the FRC and the relevant UK Government Department in relation to Brexit implications for audit.</li> </ul>
<b>Engage effectively with stakeholders and continue to enhance the quality of relationships with them</b>	<ul style="list-style-type: none"> <li>Liaised with the FRC regarding the four RABs within common supervisory remit (ACCA, ICAEW, ICAI, ICAS).</li> <li>Based on information supplied by the PABs, IAASA published the Profile of the Profession 2018.</li> <li>IAASA also engaged with the Department on a regular basis on matters of mutual interest.</li> </ul>

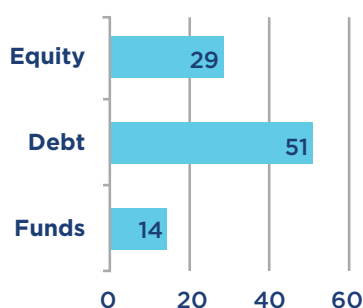
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### 3.4. Supervision of Financial Reporting Quality

#### 3.4.1. Purpose

IAASA's Financial Reporting Quality function, operating through its Financial Reporting Supervision Unit, examines the periodic financial statements of certain equity issuers, debt issuers and closed-end fund issuers to ensure that they are compliant with the relevant financial reporting framework.

At 31 December 2019, the known financial reporting examination constituency comprised 94 (2018: 102) issuers made up of 29 equity issuers, 14 closed-ended fund issuers and 51 debt issuers as illustrated in the chart below:



Depending upon risk factors identified and other relevant considerations, the scope of examinations undertaken by IAASA may be:

- **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;
- **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;
- **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;
- **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
- **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.

#### 3.4.2. Significant developments

During 2019 IAASA completed 40 (2018: 39) examinations with a further nine (2018: six) examinations in progress at 31 December 2019. IAASA submitted eight issues to the EECS decisions database. A full list of issuers examined during the year is set out in Appendix 2.

The results of matters raised with issuers during 2019 reflect the fact that IFRS 9 and IFRS 15 are new standards impacting many issuers for the first time and there are new judgements being applied by many issuers (about measurement, recognition or new disclosures). The new standards are European common enforcement priorities and therefore, enforcers are required to include these topics in examinations where relevant. The high level of IAS 1 related matters raised indicates continuing concern regarding a range of matters including: (a) entities' presentation of items in their financial statements; (b) boilerplate disclosures in some note disclosures; and (c) disclosures surrounding initial application of new accounting standards. The level of IFRS 13 related matters is reflective of the judgments exercised by management in measuring fair values. This pattern is consistent with activities at European accounting enforcer level.

#### *Significant themes for equity issuers*

Significant topics arising in the 2019 examination programme were:

- (a) IFRS 9 related matters, particularly in relation to the disclosures required under IFRS 7, including the disclosures regarding the judgements and estimation assumptions applied by management and those charged with governance regarding significant increase in credit risk, forward looking information, management adjustments to modelled expected credit losses and sensitivity analysis;
- (b) IFRS 15 disclosures, particularly those relating to the disaggregation of revenue and the interaction with IFRS 8; and
- (c) IAS 1 matters regarding the requirement to separately disclose significant accounting judgements and sources of estimation uncertainty.

IAASA corresponded with several issuers concerning these topics during the year.

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### *Significant themes for debt issuers and closed-ended fund issuers*

- (a) IFRS 13 related matters, particularly in relation to the disclosures of unobservable inputs in level 3 measured assets and liabilities;
- (b) IFRS 7 disclosures, particularly in relation to disclosures on the liquidity maturity analysis; and
- (c) IAS 24 related matters, particularly in relation to disclosing all related party transactions.

### *How the Authority's financial reporting enforcement activity compares internationally*

Issuers falling within IAASA's financial reporting review remit amount to less than 2% of the total EU IFRS issuer population subject to enforcement. However, IAASA has contributed approximately 13% of the decisions submitted to the EECS database in 2019. In absolute terms, Ireland ranks number two in terms of decisions submitted in the year.

### *Thematic review and information notes*

IAASA undertook one thematic review and published four information notes during 2019 as follows:

**Table 3.1** Summary of thematic reviews and information notes

Description	Purpose
<b>Thematic Review: Review on the IFRS 16 Leases disclosures within the 2019 half-yearly financial reports</b>	To analyse the nature, extent and impact of the information disclosed in relation to the transition to IFRS 16 in the half-yearly reports and to compare the actual transitional impact with the estimated impact disclosed in the prior year annual report.
<b>Information Note: Liquidity analysis in annual and half-yearly financial reports</b>	To remind management and those charged with governance of the requirement to disclose high quality liquidity risk analysis in annual and half-yearly reports.
<b>Information Note: Some key areas of focus for 2019 for half-yearly reports</b>	To note the key areas where IAASA has noted instances of apparent non-compliance with financial reporting standards in the past.
<b>Information Note: Requirement to disclose disaggregated revenue</b>	To remind management and those charged with governance that the disaggregation of revenue requirements in IFRS 15.115 may require further disaggregation information than the requirements in IFRS 8.
<b>Information Note: Requirement to disclose dividend proposed</b>	To remind management and those charged with governance of the requirement to disclose the amount of dividend proposed or declared before the annual reports are approved but which have not been recognised as a distribution in those annual reports.

### *Training*

IFRS 16 and IFRIC 23 are applicable to issuers' 2019 reports and, therefore, will be subject to enforcement in 2020. To meet these challenges, IAASA has taken a number of steps to prepare for their adoption, including:

- (a) continuing professional development of staff;
- (b) participation at ESMA and IASB training workshops;
- (c) participating in EECS discussions of relevant emerging issues related to the new financial reporting standards; and
- (d) tailored in-house IFRS training.

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### 3.4.3. Activities arising from Business Plan

Business Plan Objectives	Outcomes
<b>Conduct annual programme of examinations of financial reports of entities within remit</b>	<ul style="list-style-type: none"> <li>IAASA completed 40 (2018: 39) examinations of annual and half-yearly financial reports in 2019. It also undertook one thematic review and published four information notes. IAASA completed seven ESMA topical surveys.</li> <li>21 (2018: 18) issuers provided 89 (2018: 134) undertakings in respect of future financial reports.</li> </ul>
<b>Develop best practice methodologies for review process</b>	<ul style="list-style-type: none"> <li>IAASA re-evaluated the operation and suitability of the risk scoring matrix and further developed the determination of risk factors used in that matrix to assign risk scores to issuers to aid in allocating limited resources to those areas meriting greatest focus.</li> </ul>
<b>Engage effectively with our regulatory stakeholders, including other regulators, Government, and at EU and international fora</b>	<ul style="list-style-type: none"> <li>IAASA submitted seven emerging issues and eight decisions to the EECS decisions database. All fifteen papers were presented and discussed at EECS preliminary meetings.</li> <li>IAASA representatives participated in the following EECS working groups: <ul style="list-style-type: none"> <li>CRSC Narrative Reporting Working Group</li> <li>Financial Institutions Task Force</li> <li>IAS 12 Deferred Tax Asset Subgroup, which completed its work in mid-2019; and</li> <li>Task Force on ESMA's Guidelines on Enforcement of Financial Information</li> </ul> </li> <li>IAASA attends the quarterly meetings of ESMA's CRSC to which EECS reports.</li> <li>IAASA, together with a DBEI representative, attends the EU Accounting Regulatory Committee meetings.</li> <li>IAASA is an active participant in the EECS Agenda Group.</li> <li>IAASA acts as an observer at the Corporate Reporting Council of the FRC.</li> </ul>
<b>Engage in advocacy activities with our wider stakeholders</b>	<ul style="list-style-type: none"> <li>IAASA published four (2018: 14) financial reporting decisions on its website.</li> <li>IAASA published eight (2018: 9) reports and other publications including publication of the results of one thematic survey and four information notes on financial reporting matters.</li> <li>Authority staff engaged with representatives of the profession on financial reporting issues during the year.</li> </ul>

## 3.5. Supervision of Audit Quality for PIE Audits

### 3.5.1. Purpose

IAASA's Audit Quality Unit is responsible for the quality assurance of PIE auditors. At 31 December 2019, there were nine (2018: nine) PIE audit firms, auditing approximately 724 (2018: 750) PIEs. IAASA is directly responsible for the quality assurance review of eight of these audit firms. One audit firm, auditing one PIE, is based in the UK and is therefore reviewed by the FRC in 2019.

A PIE for the purposes of quality assurance is defined by Part 27 of the Act and includes entities listed on any EU regulated market, credit institutions and insurance undertakings.

IAASA currently carries out quality assurance reviews on the eight PIE firms on an annual basis. A quality assurance review 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 inspection 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. The CEAOB is responsible for the maintenance and development of CAIM. IAASA has also developed a suite of working papers for the inspection of individual audits of PIEs.

### 3.5.2. Significant developments

#### Inspections

As noted above, there were eight PIE audit firms in Ireland in 2019 (2018: nine). These include what are commonly known as the Big 4 audit firms: Deloitte, EY, KPMG and PwC. The Big 4 firms audit approximately 80% (2018: 84%) of the PIEs in Ireland, earning approximately 94% (2018: 95%) of the PIE audit fees.

Between 2016 and 2018, the Authority completed the first round of reviews and issued recommendations to all firms. During 2019, the Authority continued to ensure that those recommendations were appropriately implemented within 12 months of the date of recommendation. All firms have engaged early in this process and no issues have been noted with implementation to date. Some firms were still within the 12 month implementation period from this initial round at the end of 2019.



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One investigation was commenced into an audit referred to the Enforcement function during 2019. IAASA highlights that it does not re-perform audit procedures or seek to determine whether there are issues with the financial statements.

As such, there should be no inference that the financial statements of entities whose audits have been referred for investigation are misstated. For these audits, the inspection team issues recommendations in the usual manner, which are required to be implemented within twelve months.

The inspection team will perform follow-up visits to review implementation. Finally, audit firms with matters referred for investigation are given a higher risk weighting and visit schedules and sample sizes will be impacted accordingly.

### *International cooperation*

IAASA believes that cooperating with international audit regulators is fundamental to its success. As the entities and firms within IAASA's remit often operate within global structures, it is vital that regulators cooperate effectively to share knowledge, experience and be consistent if possible. Such activities contribute to regulators achieving their aim of effectively and efficiently contributing to continuing improvements in audit quality.

IAASA actively participates in both CEAOB and IFIAR. IAASA has representatives on all CEAOB subgroups as well as a number of task forces and colleges. IAASA holds the chair of the subgroup on market monitoring.

### 3.5.2. Activities arising from Business Plan

Business Plan Objectives	Outcomes
<b>Carry out inspection regime</b>	<ul style="list-style-type: none"> <li>• Fieldwork on the second round of inspections was completed in 2019. In addition, joint inspections were carried out with the PCAOB.</li> <li>• The proposed system for grading and publication of the results of audit inspections for round two of the inspections was finalised in 2019.</li> </ul>
<b>Develop and refine inspection methodology</b>	<ul style="list-style-type: none"> <li>• IAASA has implemented the CAIM for assessing the internal quality control systems of PIE audit firms.</li> <li>• In addition, IAASA has developed and continues to refine a suite of working papers for the assessment of individual audits, taking into account the specificities of particular auditing standards as well as any relevant matters relating to the entity type or industry.</li> </ul>
<b>Engage effectively with our peers and stakeholders</b>	<ul style="list-style-type: none"> <li>• IAASA chairs the CEAOB Market Monitoring Subgroup. During 2019, it developed market indicators for use in its next report in 2020. It also developed a survey on the activities of audit committees.</li> <li>• IAASA actively participated in the CEAOB Equivalence &amp; Adequacy and Inspections Subgroups during 2019 and is a member of the CEAOB organising committee.</li> <li>• Presentations were made to a number of stakeholders including audit firms, industry forums and PIE audit committee chairpersons.</li> <li>• IAASA issued a number of consultations during the year and continues to engage informally with stakeholders on matters as requested.</li> </ul>

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### 3.6. Enforcement Function

#### 3.6.1. Purpose

The Authority's Enforcement function undertakes enquiries and investigations under its powers set out in section 933 and section 934 of the Companies Act, respectively. Section 933 relates to the Authority's power to intervene in the disciplinary process of PABs, and section 934 relates to the Authority's powers to directly investigate the conduct of members/ member firms of those PABs.

Section 905(2)(d) of the Act provides that IAASA may conduct, under section 933, enquiries into whether a PAB has complied with its approved investigation and disciplinary procedures and, where appropriate, impose sanctions. Section 905(2)(ea) of the Act provides that IAASA may conduct, under section 933, enquiries into whether a RAB has complied with its statutory obligations under Part 27 of the Act. IAASA may also impose sanctions in relation to these enquiries. Table 3.2 provides a summary of the Section 933 enquiry activity during the year.

Section 905(2)(f) of the Act provides that IAASA may undertake, under section 934, investigations into possible breaches of the standards of a PAB by a member of that body. Section 905(2)(fa) of the Act provides that IAASA may undertake, under section 934, investigations into possible contraventions of section 336, section 337, part 27 of the Companies Act or the EU Audit Regulation by a statutory auditor relating to public interest entities. IAASA may also impose sanctions in relation to these investigations. Table 3.3 provides a summary of the section 934 investigation activity during the year.

#### 3.6.2. Significant developments

During the year, IAASA issued public consultations on revised procedures for the operation of its enquiry and investigation processes. Following those consultations, revised statutory instruments were drafted. Section 933 Regulations were brought into effect by statutory instrument in November 2019 (S.I. 567 of 2019). Section 934 Regulations were at near final draft at year end. An important component of the revised processes is the potential for settlement and to that end, settlement procedures were published in respect of section 933 enquiries and section 934 investigations.

In September 2019, following High Court approval, IAASA published the December 2018 Decision of its Enquiry Committee 1/2018. The Enquiry was commenced on foot of a complaint made by the Health Service Executive regarding the audit of Positive Action Ltd, carried out by Cronin & Company, a member firm of CPA Ireland. The Authority annulled the decision of CPA Ireland's Investigation Committee and directed the Institute to undertake a fresh investigation. The Full Enquiry Committee Decision is available on IAASA's website.

Further details of the outcome of completed statutory enquiries and investigations are available on the IAASA website.

**Table 3.2:** Summary of Section 933 enquiry activity

	Preliminary Enquiry Stage	Full Enquiry Stage	Total
Enquiries ongoing at 1 January 2019	-	-	-
New enquiries initiated during the year	-	-	-
Enquiries completed during the year	-	-	-
Section 933 enquiries ongoing at 31 December 2019	-	-	-

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**Table 3.3:** Summary of Section 934 investigation activity

	Preliminary Investigation Stage	Full Investigation Stage	Total
Investigations ongoing at 1 January 2019	1	-	1
New investigations initiated during the year	1	1	2
Investigations completed during the year	(1)	-	(1)
Section 934 investigations ongoing at 31 December 2019	1	1	2

### 3.6.3. Activities arising from Business Plan

Business Plan Objectives	Outcomes
Establish a system for the conduct of investigations into suspected irregularities	<ul style="list-style-type: none"> <li>Final revised section 933 regulations were brought into effect by statutory instrument (S.I. 567 of 2019) in November 2019. This followed a consultation process on draft regulations, following which a feedback paper was issued.</li> <li>Draft section 934 regulations were issued for consultation, setting out revised procedures for the conduct of investigations. The related statutory instrument was in draft form at year end.</li> <li>Settlement procedures in respect of section 933 enquiries and section 934 investigations were published and are available on the IAASA website.</li> <li>Other internal procedures for the processing of enquiry and investigation matters were developed during the year.</li> </ul>
Engage effectively with our peers	<ul style="list-style-type: none"> <li>IAASA representatives attended CEAOB and IFIAR Enforcement Subgroups.</li> <li>IAASA representatives attended the relevant CLRG Subgroup on Enforcement.</li> </ul>

## 3.7 Other Functions

### 3.7.1. Liquidators

During 2019 the Authority concluded its process for the registration of certain liquidators under section 633 of the Act ('Category 5 liquidators'). 22 applications were authorised and are listed on a register on the IAASA website. Three applicants appealed the Authority's refusal to authorise them. These cases were considered by a sub-committee of the Board. In this instance, all appeals were refused.

### 3.7.2. Other activities

#### *Training and Development*

In 2019 the Authority continued to provide staff with educational opportunities through a range of supports. As well as CPD and other relevant training for all staff, the Authority also funds staff engaging in longer term courses which develop and enhance their skills. There is a particular challenge in accessing training relevant to the Authority's regulatory activities. Accordingly, the Authority carries out much of its learning through in-house sessions. These are now augmented through a learning team made up of staff from across the Authority. Staff are also actively encouraged to participate in international groups and committees as part of their professional development.

#### *Finance and Administration*

The Authority continued the development of its Finance and Administration Team in 2019. In addition to the expansions in 2018, the team recruited a Legal Services Manager to provide in-house advice and assistance to all Authority staff, and to act as Data Protection Officer.

## Chapter 3: Activities

### 3.7.3. Activities arising from Business Plan

Business Plan Objectives	Outcomes
<b>Authorise 'Category 5' liquidators</b>	<ul style="list-style-type: none"><li>· One further applicant was authorised.</li><li>· Three appeals were processed by an appeals committee.</li><li>· A report was submitted to the Department summarising the outcome of the Category 5 approval process.</li></ul>
<b>Implement a learning and development strategy for staff</b>	<p>The Authority continued to provide staff support for training and development. Supports ranged from CPD through longer term education as well as in-house training. As part of education support, 81 [2018: 84] training days were taken by staff relating to some 45 [2018: 47] training and development courses. These were in addition to staff training undertaken online or on personal time.</p>