Annual Report 2011

Irish Auditing & Accounting Supervisory Authority

IAASA

Irish Auditing & Accounting Supervisory Authority

Mission

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

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ANNUAL REPORT **2011**

CHAIRPERSON'S STATEMENT

Introduction

It is with pleasure that I submit the Authority's sixth Annual Report to the Minister for Jobs, Enterprise & Innovation, Mr. Richard Bruton, T.D., in accordance with section 22(1) of the Companies (Auditing and Accounting) Act 2003.

The Chief Executive's Review summarises the Authority's principal activities over the year under review and those activities are further detailed in the body of this Report. I would, therefore, like to take the opportunity here to look to the future and to some of the developments that will affect the Authority and many of its key stakeholders over the foreseeable future.

Impact of changes to European supervisory structures

The financial crisis has seen significant changes to European regulatory and supervisory structures and those changes are likely to impact upon the Authority over the coming years. The establishment of the European Securities and Markets Authority ('ESMA') has already begun to have an effect on the Authority's financial reporting supervision work, primarily through requests from ESMA that Member States' competent authorities examine certain financial reporting issues (for example, issuers' approaches towards accounting for sovereign debt) in their home markets and feed the results of that work to ESMA for collation at EU level. All the current indications are that the volume of such requests is likely to increase as ESMA strives to enhance the consistency of, and confidence in, financial reporting at an EU level.

Given the Authority's available resources, this increased workload, together with the associated necessity to engage even more intensively with our European counterparts with a view to ensuring a consistently high standard of approach towards review and enforcement activity, will present the Authority with considerable challenges.

That having been said, these developments come at an opportune time. The Authority, having recently completed its first cycle of reviews of equity issuers' periodic financial reporting, is currently examining whether, and if so how, its current approach towards review work should be amended. In that context, and in addition to having identified certain possible options internally (for example, the greater use of thematic and focused reviews), the Authority has recently initiated a feedback dialogue with a selection of key stakeholders, including Audit Committee Chairs,

Karen Erwin, Chairperson

Finance Directors and both engagement and technical partners from the larger audit firms. Thanks to the willingness of those stakeholders to engage in an open and candid manner with the Authority, feedback sessions have proved helpful to informing the Authority's thinking. I am pleased to say that feedback received to date has been positive, particularly regarding the rigour and standard of the Authority's engagement with issuers' Boards and we have received some useful suggestions as to how the process might be further enhanced.

Audit reform proposals

With regard to the area of audit, having previously published a Green Paper on the topic and having received almost 700 responses, the European Commission published its proposals for reform in the European audit market on 30 November, 2011. With Ireland due to take over the Presidency of the European Union in January, 2013, and depending upon progress in the interim, it is possible that Ireland may be called upon to take a leadership role in bringing these important and far reaching proposals to fruition. In that context, and given that these proposals are of direct relevance to the Authority's remit, the Board will endeavour to provide the Department with whatever assistance it can in that regard. Authority representatives have already made themselves available to discuss these important matters with the Department and the Board looks forward to the continuation of that dialogue, as well as a similar dialogue with other interested parties, over the coming months.

Risk-based supervisory and enforcement activities

In the context of the ongoing economic and financial crisis facing Europe, and Ireland in particular, the role of a financial reporting and audit supervisory authority is a significant one, being central to the rebuilding and restoration of public confidence in financial reporting and statutory audit – one important facet of re-building confidence in the capital markets and the broader economy.

At the same time, the Authority, in common with other public bodies, is operating in an environment where there are increasingly limited resources available to it to respond to increasing demands from the regulatory environment as well as an ongoing elevated risk of non-compliance. Such increased demands also include, in the Authority's case, the forthcoming transfer of responsibility for quality assurance of those audit firms engaging in the audit of Public Interest Entities and the liquidator related functions provided for in Part A11 of the Companies Consolidation and Reform Bill, which was published during 2011.

In the context of the foregoing, the Authority is determined to continue to use its available resources as effectively as possible and in a manner that best serves to improve the overall quality of the standards of our supervised entities. Whilst this is a difficult balance to achieve, the Authority has adopted, and periodically updates, a risk-based approach to its supervisory activities as a means of prioritising those matters likely to have the greatest impact.

In that regard, in supervising the financial reporting of almost 150 issuers and the regulatory and disciplinary activities of nine PABs, the Authority takes a two-pronged approach, namely:

- continually to seek to identify, quantify and manage the risk of events occurring that impact on public confidence and are not in the public interest; and
- in circumstances where such events do occur, to investigate, or cause to be investigated, and, where appropriate, correct and sanction, or cause to be corrected and sanctioned, inappropriate behaviour on the part of relevant parties.

Whilst considering that this risk-based approach is the most effective use of resources available, the Authority is, however, also cognisant of the fact that there are a range of issues that will, of necessity and by definition, receive only limited supervisory attention.

Review of the Authority's governance arrangements

Through a combination of retirements and expiration of members' terms of office, the year under review and the opening months of 2012 saw a significant number of changes to the Board's membership. These changes have provided a useful opportunity for the Board to undertake a review of its governance arrangements and associated practices. Arising from that review, the Board has resolved, with effect from its next Annual Report, to adopt voluntarily the UK Code of Corporate Governance ('the UK Code') and the Irish Stock Exchange's Annex thereto ('the Irish Annex') to the extent practicable and appropriate for a statutory body. The Board further resolved that, with respect to 2011, it would seek, to the fullest extent possible, to adhere to the provisions of the UK Code and Irish Annex respectively. The aforementioned review also included a fresh examination of the Authority's accounting policies and, where considered appropriate having regard to relevant developments since those policies were first adopted, has resulted in the Board amending certain of its accounting policies (full details of which are set out in the financial statements). At year end, and in the context of its role in supervising certain issuers' compliance with International Financial Reporting Standards ('IFRS'), the Audit Committee, on the Board's behalf, was considering the feasibility of the Authority adopting IFRS as the basis of preparation for its financial statements in future years.

Concluding remarks

As I have remarked upon in previous reports, the Authority's successes and achievements are attributable to a strong and cohesive Board, to the Chief Executive's leadership and to a team of highly committed and dedicated staff. My thanks to all involved.

In the period since the Authority's last Annual Report, Paul Appleby, Michael Deasy, Brendan Kennedy, Tadhg O'Connell and Brian Shiels have all left the Board and the Board has been joined by Deirdre Behan, Máiréad Devine, David Martin, Sylvia McNeece, Kevin O'Donovan and Conor O'Mahony. I would like to take this opportunity to thank most sincerely those who have stepped down for their service to the Board over many years and to wish them well for the future. I would also like to welcome those members who have recently joined the Board.

Karen Erwin
Chairperson

30 APRIL, 2012

CHIEF EXECUTIVE'S REVIEW

Introduction

The purpose of this review is to provide a brief overview of some of the Authority's principal activities during the year under review across the Authority's main areas of operation.

Supervision of the accountancy profession

The Authority's activities in the area of supervision of the profession included, amongst others:

- bilateral supervisory engagement with the Prescribed Accountancy Bodies ('PABs');
- supervision of the PABs' responses to matters of public interest;
- statutory Enquiry activity;
- registration of third country auditors; and
- handling of complaints and enquiries.

Bilateral supervisory engagement with the PABs

The core work of the Authority in supervising the profession is carried out through a number of supervisory activities in which the Authority engages with PABs bilaterally. Such activities include detailed on-site supervisory reviews of PABs' regulatory and monitoring activities, periodic review meetings and activities relating to the approval of PABs' constitutional documents.

Supervision of the PABs' responses to matters of public interest

In addition to monitoring relevant Bodies' responses to matters relating to the former Anglo Irish Bank Corporation during the year, the Authority closely monitored relevant Bodies' responses to matters relating to, amongst others:

- the quality of certain key aspects of the 2008/09 audits of the Covered Institutions;
- events at Quinn Insurance Limited, which was placed in administration by the High Court during 2010; and
- events at Custom House Capital Limited, to which, following the publication of an Inspectors' Report, an official liquidator was appointed by the High Court in October, 2011.

Ian Drennan, Chief Executive

Statutory Enquiry activity

During the year under review the Authority initiated one new Preliminary Enquiry and continued its work on a further two Enquiries. Further details of this activity can be found in Chapter 3 of this Report.

Registration of third country auditors

During the year, the Authority devoted considerable resources towards ensuring that appropriate structures are in place to accept and, where applicable, evaluate applications for the registration of third country auditors. Work in this area included:

- the development of standardised application forms;
- the development of procedures for determining whether full registration should be granted to applicants;
- the publication of a series of frequently asked questions;
- responding to queries from a number of prospective applicants;
- liaising with the Department of Jobs, Enterprise & Innovation regarding the transposition of European Commission Decision 2011/30/EU; and
- liaising with the Companies Registration Office regarding the registration of approved third country auditors.

Handling of complaints and enquiries

In the year under review the Authority received a total of 26 complaints, an increase of 13% on the previous year. Over 60% of the complaints received related to allegations of unsatisfactory work on the part of members of the profession and complainants' dissatisfaction with some aspect of the professional bodies' disciplinary processes. Consistent with the statutory model of supervised self regulation, most complaints received were referred to the relevant professional bodies for processing under the Authority's supervision.

In addition to complaints, the Authority received in excess of 280 enquiries from members of the public, an increase of 12% on the preceding year.

Examination of certain listed entities' statutory financial reporting

As in previous years, the Authority's principal activities in this area comprised of:

- performing reviews of issuers' periodic financial reports; and
- taking appropriate follow-up action in response to issues identified.

Review activity

During 2011 the Authority conducted a total of 59 reviews of periodic financial reports. As alluded to in the Chairperson's Statement, this was largely attributable to a change in approach whereby thematic reviews were introduced as a means of seeking to address the Authority's resource constraints. Further details of the Authority's review activity, and of the issuers whose periodic financial reports were subject to review, are set out in Chapter 4 of this Report.

Responses to issues identified

In respect of the reviews completed during 2011, a total of 192 issues were raised with issuers' directors in comparison to the 124 issues raised in the preceding year. Similarly, the average number of issues raised per review also increased – from 6 in the preceding year to 10 in 2011.

As a consequence of the foregoing, the Authority sought and obtained undertakings from issuers' directors on a total of 126 separate matters, as compared to 79 undertakings sought and obtained in the preceding year.

Advocacy & advisory

As in previous years, the Authority devoted significant resources towards promoting adherence to best practice in the areas of auditing and accounting. Principal amongst the outputs of this activity was the publication, in January, 2011, of the Authority's, by now annual, observations on key financial reporting matters. At year end, work on the development of the 2012 document was at an advanced stage. Based on feedback received from a range of stakeholders, these documents are considered to be both informative and helpful to issuers and to their professional advisors. In addition to the foregoing, Authority staff also continued to contribute to the professional press and to make themselves available to address interested parties on matters of relevance to the Authority's remit.

With regard to the provision of advice, the Authority provided advice directly to the Minister and his officials on a range of topics, which are elaborated upon in Chapter 5 of this Report. In addition, the Authority continued to discharge its advisory remit through its participation in the Company Law Review Group ('CLRG'), with the undersigned chairing a CLRG Committee charged with examining, and making recommendations in respect of, certain aspects of auditors' extant reporting obligations.

Concluding remarks

As I have remarked upon in previous years, the Authority's ability to continue to discharge its responsibilities to the highest standard is possible only due to the quality of its staff. For that reason, I would again like to publicly acknowledge my colleagues' ongoing commitment, dedication and professionalism. I would similarly like to take the opportunity to thank my Chairperson and fellow Board members for their ongoing support, guidance and counsel during the year.

Ian Drennan
Chief Executive

30 APRIL, 2012

2011 AT A GLANCE

Supervisory constituencies

Prescribed Accountancy Bodies

The Authority's supervisory constituency comprises of nine Prescribed Accountancy Bodies ('PABs'). As at 31 December, 2011:

- the PABs' aggregate membership resident in Ireland stood at 30,890 an increase of 3% on the previous year; and
- the PABs' aggregate student membership resident in Ireland stood at 16,835, a decrease of 2% on the previous year.

Listed entities

The Authority's financial reporting supervisory remit extends to equity issuers, closed ended funds and issuers of debt instruments. As at 31 December, 2011, the Authority's financial reporting review constituency stood at 146 issuers, a decrease of 8% on the previous year. During the year those issuers published a total of 276 periodic financial reports, a decrease of 6% on the previous year.

Supervision of the PABs

Statutory Enquiries

During the year the Authority established 1 new Preliminary Enquiry.

Complaints

During the year a total of 26 complaints were received, an increase of 13% on the previous year.

In total, 22 complaints were closed during the year, consistent with the previous year.

Referrals

The Authority received 23 referrals from other regulatory bodies during the year relating to apparent non-compliance with professional standards, the Central Bank Act, 1997, and/or company law on the part of certain members/ member firms of the RABs.

Approvals

During the year the Authority granted 22 approvals in respect of PABs' constitutional documents.

Statutory Audit Directive Regulations

Implementation

Following the transposition of the Statutory Audit Directive in 2010, the Authority continued to devote considerable resources towards implementing the provisions of the transposing Regulations.

Registration of third country auditors and audit entities

Following the transposition of the Statutory Audit Directive, the Authority continued the development of a registration system – including guidance material – for the purpose of facilitating 'full' registrations under Regulation 113 of the Statutory Audit Directive Regulations.

Examination of certain listed entities' statutory financial reporting

During the year the Authority:

- conducted 59 reviews of issuers' periodic financial reports;
- raised 192 matters with issuers' Boards of directors;
- obtained a total of 126 undertakings in respect of future financial reports from a total of 20 issuers' Boards of directors; and
- agreed to the voluntary publication of revised financial reports by 2 issuers following reviews.

Advocacy & advisory

Advocacy

During the year, and pursuant to its statutory mandate to promote adherence to high professional standards, the Authority:

- published its observations on selected financial reporting issues for Boards' and Audit Committees' benefit; and
- published a comprehensive Guide to the provisions of the Statutory Audit Directive Regulations for stakeholders' benefit.

Advisory

During the year the Authority also provided specialist advice to the Minister and his officials on a range of other matters including a proposal for a Directive on the annual accounts of micro-entities, the Companies Consolidation and Reform Bill, a proposal for a single Directive to replace the two current accounting Directives, concerns of the IASB communicated to ESMA, and the draft Legal Services Bill.

CHAPTER 1

Governance

CHAPTER 1

Governance

1. Legal structure

Pursuant to the provisions of section 5 of the Companies (Auditing and Accounting) Act 2003 ('the Act')[1], the Irish Auditing & Accounting Supervisory Authority ('the Authority' / 'IAASA') discharges its functions and exercises its powers through a company limited by guarantee designated for that purpose by the then Minister for Trade & Commerce.

2. Company membership

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

Table 1: Members of the Authority

Association of Chartered Certified Accountants*	Institute of Chartered Accountants of Scotland*
Association of International Accountants*	Institute of Incorporated Public Accountants*
Chartered Institute of Management Accountants*	Irish Association of Investment Managers
Chartered Institute of Public Finance & Accountancy*	Irish Business & Employers' Confederation
Director of Corporate Enforcement	Irish Congress of Trade Unions
Central Bank of Ireland	Irish Stock Exchange
Institute of Certified Public Accountants in Ireland*	Law Society of Ireland
Institute of Chartered Accountants in England & Wales*	Pensions Board
Institute of Chartered Accountants in Ireland*	Revenue Commissioners

** Denotes a Prescribed Accountancy Body*

[1] A copy of the Act can be accessed on the Authority's website at www.iaasa.ie/legislation/index.htm

3. Governance

3.1. Board of directors – method of appointment

In accordance with the provisions of section 11 of the Act, the Authority is governed by a Board of 15 directors, 14 of whom are appointed by the Minister for Jobs, Enterprise & Innovation ('the Minister') having been nominated by those entities set out in the Table below. The remaining director is the Chief Executive, who is appointed by the aforementioned 14 directors.

Table 2: Board of directors – nominating bodies

Nominating body	Nominees
Minister	2
Prescribed Accountancy Bodies (jointly by agreement)	3
Central Bank of Ireland	1
Director of Corporate Enforcement	1
Irish Association of Investment Managers	1
Irish Business & Employers' Confederation	1
Irish Congress of Trade Unions	1
Irish Stock Exchange	1
Law Society of Ireland	1
Pensions Board	1
Revenue Commissioners	1
Total	**14**

As further stipulated by the Act, a maximum of five directors, including the Chief Executive, may be members of the Prescribed Accountancy Bodies ('PABs').

3.2. Appointment/reappointment of Board members during the year

During the year the following directors were appointed (or re-appointed) to the Board:

Table 3: Details of appointments and reappointments to the Board during the year

Director	Date appointed	Nominating body	Reason for vacancy	Term
Paul Appleby	3 January, 2011	Director of Corporate Enforcement	Expiration of Mr. Appleby's previous term of office	3 years
Michael Quinlan	3 January, 2011	Law Society of Ireland	Expiration of Ms. Helene Coffey's term of office	3 years
Gerard Scully	3 January, 2011	Irish Stock Exchange	Expiration of Mr. Scully's previous term of office	3 years
David Martin	30 May, 2011	Prescribed Accountancy Bodies	Expiration of Mr. Martin's previous term of office	3 years
Kevin O'Donovan	30 May, 2011	Prescribed Accountancy Bodies	Expiration of Mr. Donal O'Connor's term of office	3 years

3.3. Board of directors as at 31 December, 2011

As at 31 December, 2011 the composition of the Authority's Board of directors was as follows:

Table 4: Composition of Board at year end

Board member	Occupation	Nominating body	Date first appointed	Date of resignation
Ms. Karen Erwin (Chairperson)	Founder & Principal, Erwin Mediation Services	Minister	3 January, 2006	
Mr. Ian Drennan*	Chief Executive, IAASA	Other directors	3 January, 2006	
Mr. Paul Appleby	Director of Corporate Enforcement	Director of Corporate Enforcement	3 January, 2006	5 March, 2012
Ms. Marie Daly	Head of Legal & Regulatory Affairs, Irish Business & Employers' Confederation ('IBEC')	IBEC	3 January, 2006	
Mr. Sean Hawkshaw	Managing Director, Kleinwort Benson Investors	Irish Association of Investment Managers	3 January, 2006	
Mr. Tony Kelly*	Partner, Byrne Curtin Kelly, Certified Public Accountants & Registered Auditors	Prescribed Accountancy Bodies	3 January, 2006	
Mr. Brendan Kennedy	Chief Executive, Pensions Board	Pensions Board	8 June, 2007	2 January, 2012
Mr. David Martin*	Company director	Prescribed Accountancy Bodies	30 May, 2011	
Mr. Tadhg O'Connell	Principal Officer, Revenue Commissioners	Revenue Commissioners	3 January, 2009	2 January, 2012
Mr. Kevin O'Donovan*	Partner, KPMG, Chartered Accountants & Registered Auditors	Prescribed Accountancy Bodies	30 May, 2011	
Mr. Joe O'Toole	Former Senator	Irish Congress of Trade Unions	3 January, 2006	
Mr. Michael Quinlan	Principal, Dixon Quinlan Solicitors	Law Society of Ireland	3 January, 2011	
Mr. Gerard Scully	Director of International Primary Markets, Irish Stock Exchange	Irish Stock Exchange	11 July, 2007	
Mr. Brian Shiels	Company director	Minister	3 January, 2009	2 January, 2012

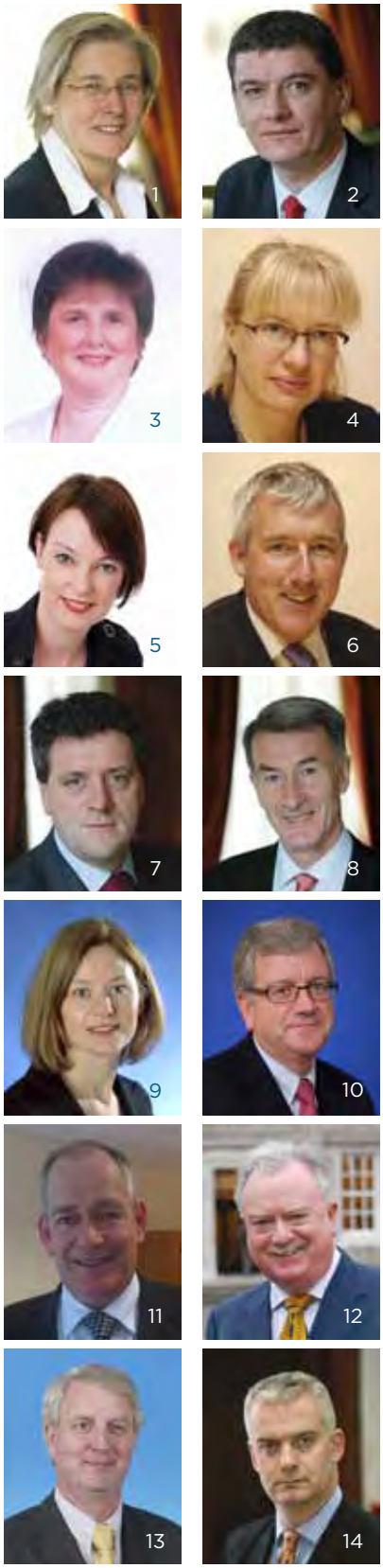
** Denotes membership of a Prescribed Accountancy Body*

3.4. Board of directors at the date of issue of this Report

The following were not directors at the balance sheet date, having been appointed since 1 January, 2012:

Table 5: Board appointment from 1 January to 30 April, 2012

Member	Nominating body	Date first appointed
Ms. Deirdre Behan	Revenue Commissioners	3 January, 2012
Ms. Máiréad Devine	Central Bank of Ireland	3 January, 2012
Ms. Sylvia McNeece	Pensions Board	3 January, 2012
Mr. Conor O'Mahony	Director of Corporate Enforcement	8 March, 2012



3.5. 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, 2012.

1 **Karen Erwin** is a mediator specialising in commercial and workplace disputes and is President of the Mediators' Institute of Ireland. Having attained her degree in Trinity College Dublin, she qualified as a solicitor and was a litigation partner in A&L Goodbody for 15 years. Karen then became an executive director and general counsel in the Irish Times – a post held for 8 years before she left to establish her own firm, Erwin Mediation Services. Karen served for 4 years as Chairperson of the interim board of IAASA and when it was incorporated in December, 2005 she was appointed Chairperson of the Authority, a position which she still holds.

2 **Ian Drennan**, who is an accountant by profession, is the Authority's Chief Executive, a position that he has held since the Authority's establishment. He has previously held positions with the Office of the Director of Corporate Enforcement, Department of Finance, Office of the Comptroller & Auditor General and a number of Dublin based accountancy practices.

3 **Deirdre Behan** *M.Sc., B.A.(Mod.), AITI, H.Dip. Ed.* is a Principal Officer in the Corporate Business & International Division of the Revenue Commissioners. Her responsibilities include corporation tax policy, legislation and interpretation. Previously, she managed the Financial Services (Banking) Unit in Revenue's Large Cases Division. Her career experience included a secondment to the International Financial Services Centre section of the Department of Finance.

4 **Marie Daly** is a solicitor with many years' experience as an employment lawyer and is now IBEC's in-house solicitor, with responsibility for advising IBEC and its various trade associations on a range of compliance, legal and sector specific issues. She is a member of the Company Law Review Group and the High Level Group on Business Regulation and is a former member of the Pensions Board.

5 **Máiréad Devine** is the Head of Governance, Accounting and Auditing Policy in the Central Bank of Ireland. Máiréad was previously a Director in the PwC Regulatory Advisory Services team where she specialised in the provision of prudential, governance, risk management and compliance services across the financial services spectrum. Máiréad previously worked as a prudential specialist with PwC UK in the Financial Services Regulatory Practice. Prior to that she was a Manager in the Regulatory Policy Division at the Bank of England. She started her career as an Economist in the Economic Analysis and Research Department of the Central Bank of Ireland. Máiréad holds a Bachelor of Business Studies and a Master of Letters (Financial Economics) from Trinity College Dublin.

6 **Sean Hawkshaw** is Chief Executive of Kleinwort Benson Investors. Sean has previously held the positions of Head of Portfolio Management, Head of Business Development and Chief Operating Officer with Kleinwort Benson Investors as well as having been a Senior Portfolio Manager with Bank of Ireland Asset Management. Educated in TCD and UCD, Sean holds both Honours Bachelor's and Master's degrees in Business Studies. Sean is a current Board member, and former Chairman, of the Irish Association of Investment Managers.

7 **Tony Kelly**, *FCPA, FCCA* is Managing Partner with Byrne Curtin Kelly, Certified Public Accountants and Statutory Auditors. BCK are the Irish Member firm of JHI, an international organisation of independent audit and accounting firms. This affords the firm access to international best practice in audit and accounting. Tony is the incoming chair of EMEA region and is a director of the International Board. Tony is a member of the Audit Committee of the Irish Red Cross.

8 **David Martin**, *FCMA* is a former Group Financial Director of IAWS Group plc (now Aryzta AG). He is currently a director of 151 plc, FBD Insurance plc and a number of private companies. He is a former director of the Dormant Accounts Board.

9 **Sylvia McNeece** is a solicitor and Head of Legal in the Pensions Board. Her prior experience includes working in legal training with the Law Society, as an in-house solicitor with a publicly quoted company and working in private practice. She is a law graduate of Trinity College and also has Masters degrees in Commercial Law and in Business Administration.

10 **Kevin O'Donovan** *B.Comm, FCA* is currently an audit partner in KPMG Ireland. His additional current roles include Chairman, Audit Committee Institute Ireland and Global Compliance Review Partner for KPMG International. Former roles include Chairman of the Audit Practices Review Committee of Chartered Accountants Ireland, Irish nominee to the board of the Auditing Practices Board (London) and Head of Audit in KPMG Ireland.

11 **Conor O'Mahony** is currently a Principal Officer in the Office of the Director of Corporate Enforcement where he has responsibility for matters relating to insolvent companies. He previously headed up the SME Policy Unit in the Department of Jobs, Enterprise & Innovation 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.

12 **Joe O'Toole** was a member of Seanad Éireann (upper house of parliament) from 1987 to 2011, and is a qualified National School Teacher. He has occupied various positions over the years, including that of General Secretary of the Irish National Teachers' Organisation and Chairperson of the Audit Review Group. Having obtained his primary teaching qualification in St. Patrick's College of Education in 1967, he further obtained a BA (Economics & English) in UCD in 1974 as well as a Higher Diploma in Education from NUI Maynooth in 1975.

13 **Michael Quinlan** is a Partner with Dixon Quinlan Solicitors. He was educated at Blackrock College Dublin, University College Dublin and the Law Society of Ireland. Michael is an elected Council Member of the Law Society of Ireland and is a Past President of the Dublin Solicitors' Bar Association.

14 **Gerard Scully** is Director of International Primary Markets at the Irish Stock Exchange ('ISE'), with responsibility for the Debt and Investments Fund Listing Departments. He joined the ISE in March 2004. Prior to joining the ISE, Gerard worked in a variety of roles as legal advisor focusing on derivatives, capital markets and compliance matters. Gerard is qualified as a solicitor in England and Wales and in Ireland.

3.6. Board procedures

The Board holds regular meetings and its procedures further provide for the convening of unscheduled meetings should the need arise in order to conduct the Authority's business. 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 the Authority's statutory functions and powers. Certain matters are delegated to Board Committees, as outlined in section 4 below, and the Board has also put in place a system of formal delegations of authority to the Chief Executive.

Service on a statutory Board such as the Authority's requires integrity, independence, objectivity and good faith on the part of Board members. Whilst it is recognised that members of the Board have responsibilities to their nominating organisations, their overriding responsibility as directors of the Authority is to act in accordance with the relevant legislation and to act in, and protect and promote, the best interests of the Authority. In this regard, all 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.

3.7. Board meetings

During the year, the Board held eight meetings. The membership of the Authority's Board of directors during the year, together with details of the number of meetings attended by each director, is set out in the Table below.

Table 6: Directors' attendance at Board meetings

Director	Meetings attended/ Meetings eligible to attend
Ms. Karen Erwin (Chairperson)	8/8
Mr. Ian Drennan (Chief Executive)	8/8
Mr. Paul Appleby	8/8
Ms. Marie Daly	8/8
Mr. Michael Deasy[2]	4/5
Mr. Sean Hawkshaw	5/8
Mr. Brendan Kennedy	7/8
Mr. Tony Kelly	6/8
Mr. David Martin[3]	4/4
Mr. Kevin O'Donovan[4]	3/4
Mr. Tadhg O'Connell	7/8
Mr. Joe O'Toole	6/8
Mr. Michael Quinlan	5/8
Mr. Gerard Scully	6/8
Mr. Brian Shiels	5/8

4. Committees

4.1. Mandates and memberships

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 at 31 December, 2011 are set out in the Table below.

[2] Mr. Deasy retired as a director as of 15 July, 2011

[3] Mr. Martin was appointed as a director on 30 May, 2011

[4] Mr. O'Donovan was appointed as a director on 30 May, 2011

Table 7: Board Committees – mandates and membership

Committee	Mandate	Membership
Audit	Monitoring the integrity of the Authority's financial statements, the effectiveness of the Authority's internal control and risk management systems and monitoring and reviewing the effectiveness of the internal and external audit processes.	Kevin O'Donovan (Chair)[5] Gerard Scully[6] Tadhg O'Connell
Section 23 Committees	In accordance with the provisions of section 23 of the Act and the Companies (Auditing and Accounting) Act, 2003 (Procedures Governing the Conduct of Section 23 Enquiries) Regulations, 2007 ('Section 23 Regulations')[7], the Authority from time to time establishes Preliminary Enquiry Committees and Enquiry Committees for the purpose of determining whether a Prescribed Accountancy Body has complied with its approved investigation and disciplinary procedures. Whilst section 23 Committees report to the Board on a regular basis, such reporting is concerned mainly with the progress of Enquiries and other important issues relevant to the overall governance of the Authority (e.g. matters pertaining to litigation risk etc.). The Board does not receive reports regarding the subject matter of Enquiries as Committees operate independently of the Board and Executive in discharging their investigative mandates.	See Chapter 3 for further detail on the Authority's section 23 Enquiry activities during the year.

4.2. Meetings

Details of the number of Authority Committee meetings attended by each director are set out in the Table below.

Table 8: Board Committees – Directors' attendance at Committee meetings[8]

Director	Audit Committee	Section 23 Committees
Mr. Michael Deasy	3/3[9]	
Mr. Brendan Kennedy		3/3
Mr. Tony Kelly		3/3
Mr. Kevin O'Donovan	3/3[10]	
Mr. Tadhg O'Connell	6/6	2/2
Mr. Gerard Scully	2/3[11]	2/2
Mr. Brian Shiels		2/2

5 Mr. O'Donovan was appointed as Chairperson of the Audit Committee following the previous Chairperson, Mr. Michael Deasy's resignation on 15 July, 2011.

6 Mr. Scully was appointed to the Audit Committee following Ms. Helene Coffey's retirement on 2 January, 2011

7 The Section 23 Regulations can be accessed on the Authority's website at www.iaasa.ie/legislation/si667_2007.pdf

8 Meetings attended/Meetings eligible to attend.

9 Mr. Deasy retired as a director and Audit Committee Chairperson on 15th July, 2011.

10 Mr. O'Donovan was appointed as Audit Committee Chairperson on 20th September, 2011 following Mr. Deasy's retirement.

11 Mr. Scully was appointed to the Audit Committee on 20th September, 2011 following Ms. Helene Coffey's retirement.

5. Public sector and other governance obligations

The Board is committed to operating and maintaining the highest standards of corporate governance and to ensuring compliance with the Authority's various legal and other obligations. As a body established under statute, the Authority is subject to the provisions of the Code of Practice for the Governance of State Bodies ('the Code'), as issued by the Department of Finance. The Code sets out the principles of corporate governance applicable to State bodies. The Authority's directors and senior management are also subject to the provisions of the Ethics in Public Office Acts, which require, amongst other things, the annual disclosure of any interests that could materially influence them in relation to the performance of their official functions.

In addition, the Board has, with effect from 20 December, 2011, resolved to adopt the UK Code on Corporate Governance ('UK Code') and the Irish Corporate Governance Annex to the UK Code as promulgated by the Irish Stock Exchange ('Irish Annex') to the extent practicable and applicable to a statutory body. Further information regarding the steps taken by the Authority to comply with its governance obligations is provided in Chapter 6 of this Report.

CHAPTER 2

Principal Goals & Organisational Structure

CHAPTER 2

Principal Goals & Organisational Structure

1. Principal goals

1.1. Principal goals

Having regard to its statutory objects, functions and powers, the Board has set the following as being the Authority's principal goals:

I. to support and enhance public confidence in the accountancy profession through effective, independent supervision and, where appropriate, statutory Enquiry and Investigation;

II. to support and enhance public confidence in financial reporting through the exercise of effective, independent supervision and, where appropriate, enforcement action;

III. to support and enhance public confidence in the accountancy profession and in financial reporting through the promotion of adherence to high professional standards and the provision of high quality advice to the Minister; and

IV. to provide a consistent high standard of service to all stakeholders.

1.2. Structure of this Report

The Authority's activities during the year in seeking to achieve Goals I to IV above are elaborated upon in Chapters 3 to 6 of this Report.

2. Organisational structure

2.1. Overview

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

- Regulatory & Monitoring Supervision, which is concerned principally with supervision of the Prescribed Accountancy Bodies, registration of third country auditors and audit entities and ancillary activities;
- Financial Reporting Supervision, which is concerned principally with financial reporting review and ancillary activities;
- Legal Services, which, in addition to providing in-house legal advice and related services to the Authority, provides a Secretariat to the Board and to certain of its Committees; and
- Finance & Administration, which provides corporate services support to the Authority.

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

2.2. Approved staff complement

In accordance with the provisions of section 17(2) of the Act, the numbers, grades, and terms and conditions of the Authority's staff shall be determined by the Authority with the approval of the Minister, given with the consent of the Minister for Public Expenditure & Reform. Accordingly, any amendments to the Authority's approved staff complement require both Ministers' prior approval. Details of the Authority's approved and actual staff complements at 31 December, 2011 are set out in the Table below.

Table 9: Approved and Actual Staff Complements as at 31 December, 2011

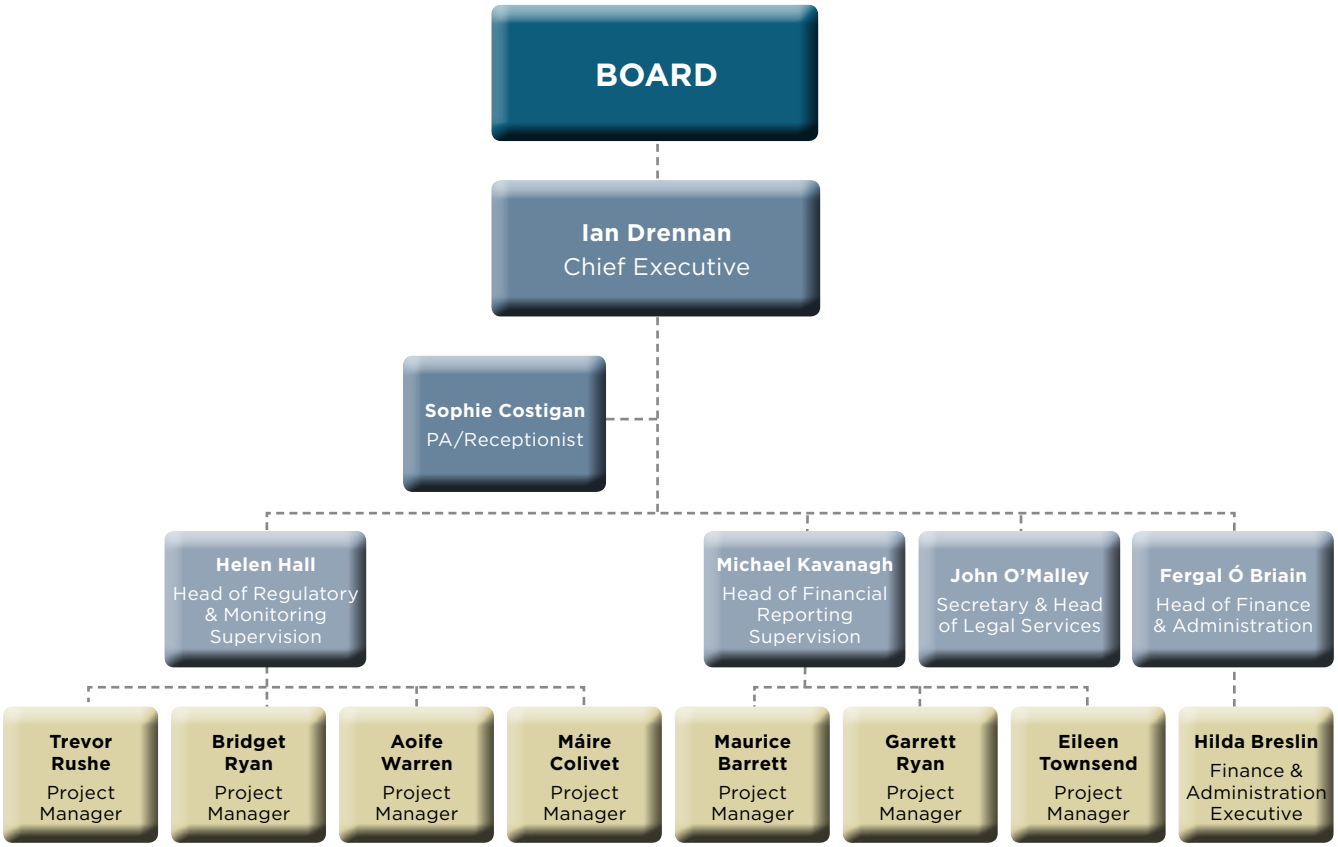
	Approved	Actual
Chief Executive	1	1
Heads of Function	3	3
Project Managers – Professional Staff (Accountants)	8	7
Head of Finance & Administration	1	1
Administrative Executive	1	1
Clerical Support Staff	1	1
Total	**15**	**14**

The difference between approved and actual staff complements since the Authority's establishment had been attributable in the main to the considerable difficulties that the Authority had encountered in recruiting suitably experienced professional staff at the salary levels approved for those posts.

During 2010, the Authority was granted sanction to advertise three additional positions arising from the additional responsibilities conferred on it by the transposition during 2010 of the Statutory Audit Directive. These positions were, however, approved on the basis of fixed term contracts and have, as a result, proved challenging to fill. In late 2010, one position was filled and a second post was filled in July, 2011. At the time of writing of this Report, the Authority was still actively seeking to fill the third position.

2.3. Organisational structure

The Authority's organisational structure as at 31 December, 2011 was as set out in the organisation chart below.



CHAPTER 3

Supervision of the Accountancy and Auditing Profession

CHAPTER 3

Supervision of the Accountancy and Auditing Profession

1. Introduction

This Chapter provides a summary of the activities undertaken by the Authority during the year in seeking to achieve its mission of supporting and enhancing public confidence in the accountancy profession through the exercise of effective, independent oversight of the nine Prescribed Accountancy Bodies' ('PABs')[12] regulation and monitoring of their members.

Also outlined in this Chapter is the work performed by the Authority in implementing the Statutory Audit Directive[13], following the enactment of S.I. No. 220 of 2010 (European Communities (Statutory Audits) (Directive 2006/43/EC) Regulations 2010) ('Statutory Audit Directive Regulations') on 20 May, 2010.

Activities in addition to those referred to above in which the Authority engaged during the year in the furtherance of its statutory mandate and mission included co-operation with its European Union ('EU') and international counterparts as well as with other national and EU authorities.

The remainder of this Chapter is divided into four areas of activity, namely:

- supervision of the PABs (sections 2 to 9 refer);
- implementation of the Statutory Audit Directive Regulations (section 10 refers);
- registration of third country auditors and audit entities (section 11 refers); and
- other activities (section 12 refers).

2. Overview of supervisory activities

2.1. Legislative context

The context for the Authority's legislative functions in respect of the PABs was set out in detail in the Authority's first Annual Report[14] and is not, therefore, reproduced in this Report. In summary, the Act provides that the Authority's principal functions insofar as they relate to the PABs include:

- granting approval to the PABs' constitutions and other related instruments, including, for example, the Rules, Regulations and Standards applying to those bodies' members, and to all proposed amendments thereto;
- supervising the operation of the PABs' investigation and disciplinary processes; and
- supervising the manner in which the Recognised Accountancy Bodies ('RABs')[15] monitor their members and member firms.

The Statutory Audit Directive Regulations expanded the Authority's functions by adding a new function to Section 9 of the 2003 Act as follows:

'....to perform the functions (and in particular the functions of public oversight) conferred on it by the European Communities (Statutory Audits) (Directive 2006/43/EC) Regulations 2010'.

The additional responsibilities conferred by these Regulations are described in further detail in Section 10.

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

13 Directive 2006/43/EC

14 The Authority's first Annual Report can be accessed at www.iaasa.ie/publications/Annual_Report_2006.pdf

15 Six of the nine PABs are also RABs. A RAB is a body that has been recognised for the purposes of the Statutory Audit Directive Regulations and section 187 of the Companies Act, 1990. RABs are permitted to register or license their members/member firms for the purpose of entitling such persons/firms to practice as auditors. The six RABs are the ACCA, ICAEW, ICAI, ICAS, ICPAI and the IIPA.

2.2. Principal supervisory activities

During the year under review, the Authority's supervisory activities in respect of the PABs fell, broadly, into the following principal categories:

- statutory Enquiries (Section 3);
- attachment of conditions to the recognitions of RABs (Section 4);
- supervision of the PABs' responses to matters of public interest (Section 5);
- approval related activities (Section 6);
- complaints handling (Section 7);
- supervisory reviews (Section 8); and
- PABs' annual return process (Section 9).

3. Statutory Enquiries

3.1. Section 23 of the Act

Under section 23 of the Act, the Authority is empowered to initiate statutory Enquiries for the purpose of determining whether PABs have complied with their approved investigation and disciplinary procedures. In that context, the Authority has published detailed procedures to be followed in the conduct of such Enquiries (such procedures being set out in the Section 23 Regulations[16]). The procedures require a two stage enquiry process, namely a Preliminary Enquiry followed by, if deemed appropriate, a Full Enquiry. A more detailed overview of the section 23 process was set out in the Authority's 2007 Annual Report, which can be accessed on the Authority's website[17].

3.2. Section 23 Enquiries

The Authority's section 23 Enquiry activity during the year is summarised in the Table below.

Table 10: Summary of Section 23 Enquiry activity - 2011

		Preliminary Enquiry Stage	Full Enquiry Stage	Total
Section 23 Enquiries ongoing at 1 January, 2011	Redacted Text	1	1	2
Preliminary Enquiries completed during the year		-	-	-
Full Enquiries initiated during the year on foot of *prima facie* cases having been found by a Preliminary Enquiry Committee		-	-	-
New Preliminary Enquiries initiated during the year		1	-	1
Full Enquiries completed during the year		-	-	-
Section 23 Enquiries ongoing at 31 December, 2011		2	1	3

As can be seen from the above Table:

- at the beginning of the year there were two Enquiries in progress;
- during the course of the year work continued on both these Enquiries, but this work had not concluded at 31 December, 2011;
- a new Enquiry was initiated during the year; and
- at year end there were three Enquiries in progress, two at Preliminary Enquiry stage and one at Full Enquiry stage.

3.3. Subject matter of Section 23 Enquiries

Set out in the Table below is a more detailed narrative on the matters with which Preliminary Enquiry Committees ('PECs') and Enquiry Committees ('ECs') were concerned during the year.

[16] The text of the Regulations is available at www.iaasa.ie/legislation/si667_2007.pdf

[17] www.iaasa.ie/publications/Annual_Report2007.pdf

Table 11: Summary of matters with which PECs and ECs were concerned during the year

EC TK/2010	
PEC BS/2010	Redacted Text
PEC MD/2012	This matter was referred to the Section 23 PEC process in December, 2011, following the referral of certain concerns to the Authority's Board by the Executive. A PEC was convened and the Enquiry commenced in early 2012.

18 Redacted text

19 This Preliminary Enquiry Committee completed its work on 13 February, 2012.

3.4. Section 23 Confirmation of Decision by the High Court

As reported in previous Annual Reports, the Authority had been enquiring into a complaint relating to the possible non-adherence by the ICAI to its approved investigation and disciplinary procedures in considering a complaint regarding a member firm's alleged failure to identify a significant error in the context of its responsibility to confirm the accuracy of a toll related licence fee (EC HC/2009). Following the completion of a statutory Enquiry, the Authority determined that, with respect to the matters detailed in the Decision, the ICAI failed to comply with its approved investigation and disciplinary procedures.

As a consequence of the Enquiry Committee's findings it was decided to:

(a) censure the ICAI for the identified breaches;

(b) annul the relevant decisions of the ICAI's Complaints Committee;

(c) direct a fresh investigation of the Complaint; and

(d) require the ICAI to pay the sum of €110,000 to the Authority, which includes a contribution of €80,000 to the costs and expenses of the Full Enquiry.

The Authority's determination in this regard and associated sanctions were confirmed by the President of the High Court on 17 January, 2011. The full text of the Decision can be accessed on the Authority's website[20].

4. Attachment of conditions to the recognition of RABs

4.1. Legislative context

A RAB is a body of accountants that has been recognised for the purposes of the Statutory Audit Directive Regulations and section 187 of the Companies Act, 1990 ('the 1990 Act'). RABs are, subject to certain criteria being satisfied, permitted to register or license their members/member firms for the purpose of entitling such persons/firms to practice as statutory and/or public auditors.

Section 192 of the 1990 Act (as amended) provides that the Authority may, at any time, attach to the recognition of a RAB any such terms or conditions as it thinks necessary or expedient, provided that such terms or conditions are specified in writing. That section also provides that the Authority may, at any time during the currency of a RAB's recognition, amend the terms of a condition attached to that recognition.

4.2. Monitoring of conditions

During the year under review the Authority continued its ongoing monitoring of adherence to conditions previously attached to RABs' recognitions.

In that context, and pursuant to the conditions previously attached to the recognition of the IIPA as detailed in the 2010 Annual Report[21], the Authority supervised the granting by the IIPA of eight new audit registrations during the year.

5. Supervision of the PABs' responses to matters of public interest

5.1. Context

The model of supervised self regulation provided for by the Act is one whereby:

- the PABs are responsible for carrying out investigations into their members' activities where necessary (e.g. in response to allegations or other indications of possible breaches by members/member firms of the PABs' standards);
- the Authority is responsible for supervising the PABs' investigative and disciplinary activities and, specifically, for ensuring that the PABs' approved procedures are complied with; and
- in circumstances where it finds that a PAB has failed to comply with its approved investigation and disciplinary procedures, the Authority may impose certain sanctions, including monetary sanctions, on the PAB concerned (i.e. under section 23 of the Act).

Accordingly, and consistent with the foregoing, in the normal course of its supervisory activities, the Authority focuses on the proper operation of the PABs' investigative and disciplinary systems and processes rather than on the PABs' handling of individual cases[22]. In certain instances, however, the PABs' handling of individual cases may be judged by the Authority to warrant particular attention, for example, where the underlying matters are connected with a listed entity.

[20] www.iaasa.ie/publications/S23_Decision_Jan11.pdf

[21] www.iaasa.ie/publications/Annual_Report2010.pdf

[22] The Authority's more general supervisory activities are discussed in sections 3, 4, 6, 7, 8 and 9 of this Chapter.

5.2. ICAI's response to events at Anglo Irish Bank Corporation Limited ('Anglo') and Irish Life & Permanent plc ('IL&P')

As reported in the Authority's 2009 Annual Report, a Special Investigator[23] was appointed by the ICAI to investigate possible breaches of the ICAI's Bye-laws and/or Rules of Professional Conduct by certain of its members and/or member firms in relation to events at Anglo and IL&P. A more detailed overview of the Special Investigator's role and of the Authority's supervision of the ICAI's response to these events was set out in the 2009 Report[24].

On 20 December, 2010, the ICAI published details of the results of the Special Investigator's findings *vis-à-vis* Messrs. Sean FitzPatrick, David Drumm, William McAteer and Peter Fitzpatrick respectively. In his reports to the ICAI's Complaints Committee, the Special Investigator certified that, in his opinion, there existed certain *prima facie* cases that the aforementioned members were liable to disciplinary action under the ICAI's Bye-laws.

In accordance with the provisions of the Bye-laws, the ICAI's Complaints Committee subsequently referred the *prima facie* findings to the Disciplinary Committee by way of formal complaints for consideration by Disciplinary Tribunals. Following a request from the Director of Public Prosecutions ('DPP'), the ICAI has adjourned disciplinary proceedings pending a decision from the DPP as to whether she will direct prosecutions in this and/or related matters. At year end the position was that the DPP had not withdrawn the request that the ICAI adjourn these matters.

On 14 September, 2011 the ICAI published details of the results of the Special Investigator's findings *vis-à-vis* Ernst & Young in respect of that firm's former role as auditor of Anglo. The Special Investigator certified that, in his opinion, there existed certain *prima facie* cases against Ernst & Young in respect of the firm's role as auditor to the bank. The Table below summarises the Special Investigator's findings in this regard.

Table 12: Summary of the Special Investigator's findings

Matters investigated in respect of Ernst & Young	Conclusion of Special Investigator
Failure to detect the scale of Mr. Sean FitzPatrick's loans and their systematic refinancing over year ends and the lack of appropriate disclosure in the first set of Anglo's Financial Statements for the year end 30th September 2008, which were signed on 2nd December 2008, or in Ernst & Young's audit report thereon.	*Prima facie* case found
Failure to refer to the transactions in September 2008 between IL&P and Anglo in their audit report on the first set of Anglo's 2008 Financial Statements, in the absence of appropriate disclosure in those 2008 Financial Statements.	*Prima facie* case found
Failure to ensure appropriate disclosure of a loan made to Mr. William McAteer, a Director of Anglo, in the first set of Anglo's 2008 Financial Statements or in their audit report thereon.	*Prima facie* case found
The manner in which they dealt with the September 2008 transactions between IL&P and Anglo in their audit report on the second set of Anglo's 2008 Financial Statements, which were signed on 19th February, 2009.	No *Prima facie* case found
Their lack of awareness of the so-called "Maple 10 loans" when they issued their audit report on the first set of Anglo's 2008 Financial Statements.	No *Prima facie* case found
The manner in which they dealt with the so-called "Maple 10 loans" in their audit report on the second set of Anglo's 2008 Financial Statements.	No *Prima facie* case found
Their lack of awareness of the alteration of recourse terms on certain loans to four key management personnel of Anglo when Ernst & Young issued their audit report on the first set of Anglo's 2008 Financial Statements.	No *Prima facie* case found

[23] The ICAI's Complaints Committee appointed former Comptroller & Auditor General, Mr. John Purcell, as the Special Investigator.

[24] www.iaasa.ie/publications/annual_report2009.pdf

In accordance with the provisions of the Bye-laws, the ICAI's Complaints Committee subsequently referred the *prima facie* findings to the Disciplinary Committee by way of formal complaints for consideration by Disciplinary Tribunals. Similar to the approach taken in the case of the complaints against the individuals in this matter, following a request from the DPP, the ICAI has adjourned disciplinary proceedings pending a decision from the DPP as to whether she will direct prosecutions in this and/or related matters. At year end the position was that the DPP had not withdrawn the request that the ICAI adjourn these matters.

5.3. ICAI's review of its relevant member firms' audits of the Covered Institutions

As reported in the Authority's 2010 Annual Report[25], and in the wake of the banking crisis, the ICAI, following engagement with the Authority commenced a review of the 2008, and where applicable 2009[26] audits of the Covered Institutions[27] in September, 2010. The purpose of this review is to determine whether the audit firms concerned applied appropriate procedures and complied with relevant standards, practice notes and other legislative provisions in order to assert in their audit opinions that the valuation of book debts and provisions for impairments were appropriate. The Authority further agreed with the ICAI that the review would be overseen by an independent expert[28], possessing relevant experience and sourced from outside the jurisdiction. This review involves the audit work performed by three audit firms in relation to the following audit engagements:

Audit firm
Audit engagements subject to review
PriceWaterhouseCoopers
The Governor and Company of the Bank of Ireland
Ernst & Young
EBS Building Society
Anglo Irish Bank Corporation plc
KPMG
Allied Irish Banks plc
Irish Life & Permanent plc
Postbank Ireland Limited
Irish Nationwide Building Society

The majority of the reviews were complete at year end and the process whereby the firms are given an opportunity to comment on the findings of the review was underway, with the Authority continuing to monitor the process.

5.4. Quinn Insurance Limited

As reported in the Authority's 2010 Annual Report, the High Court appointed joint provisional administrators to Quinn Insurance Limited on 30 March, 2010. During the year under review, the Authority continued to monitor the ICAI's regulatory response to this matter having regard to the information in its possession.

5.5. PABs' responses to events at Custom House Capital Limited ('CHC')

On 21 October, 2011 the High Court appointed an official liquidator to CHC and ordered that the company be wound up. Following its publication, the Authority drew the PABs' attention to the Inspectors' Report[29] into CHC and has subsequently been monitoring relevant PABs' regulatory responses.

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25 www.iaasa.ie/publications/Annual_Report2010.pdf

26 The relevant financial statements in the case of the Governor and Company of the Bank of Ireland are those in respect of the year ended 31 March, 2009.

27 The Covered Institutions are as follows:

i. Allied Irish Banks, plc. and its subsidiaries AIB Mortgage Bank, AIB Bank ('CI) Limited, AIB Group ('UK) plc and Allied Irish Banks North America Inc.;
ii. Anglo Irish Bank Corporation plc and its subsidiary Anglo Irish Bank Corporation ('International) plc;
iii. The Governor and Company of the Bank of Ireland and its subsidiaries Bank of Ireland Mortgage Bank, ICS Building Society and Bank of Ireland ('I.O.M.) Limited;
iv. EBS Building Society and its subsidiary EBS Mortgage Finance;
v. Irish Life & Permanent plc and its subsidiary Irish Permanent ('IOM) Limited;
vi. Irish Nationwide Building Society and its subsidiary Irish Nationwide ('I.O.M.) Limited; and
vii. Postbank Ireland Limited.

28 Mr. David Spence, FCA.

29 The Inspectors' Report is available on the Central Bank of Ireland's website, www.centralbank.ie

5.6. Other matters of a public interest nature

The Authority, through ongoing monitoring of the media, PAB review meetings, complaints handling and interaction and co-operation with both domestic and international counterparts, identifies issues from time to time, which appear to be of a public interest nature. These items are brought to the attention of the relevant PAB(s), and their responses monitored accordingly.

6. Approval related activities

6.1. Legislative context

The Authority's role in approving the PABs' constitutional documents[30] derives from section 9(2)(c) of the Act, which provides that the Authority's functions include approving and requiring changes to:

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

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

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

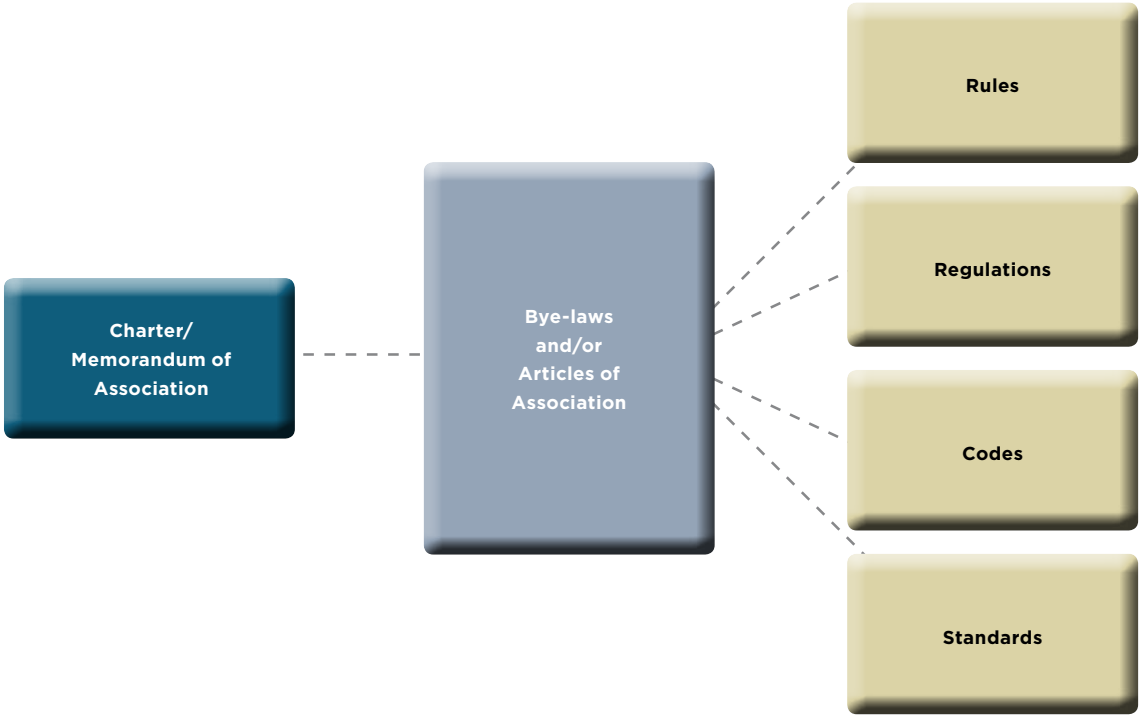
- international best practice in regulatory and corporate governance matters;
- the provisions of the Statutory Audit Directive Regulations;
- relevant recommendations of the Review Group on Auditing[31]; and
- relevant legal requirements.

[30] The term 'constitutional documents' refers to the PABs' Charters, Memoranda & Articles of Association, Bye-laws, Rules, Regulations, Codes and Standards.

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

6.2. Structure of PABs' constitutional documents

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



6.3. Approvals

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

Table 13: Approvals granted during the year[32]

	2011	2010
Charters	0	0
Memoranda of Association	0	1
Amended Memoranda of Association	0	1
Articles of Association	0	1
Amended Articles of Association	0	1
Sets of existing full suite Bye-laws	0	2
Sets of amended Bye-laws	3	4
Sets of Regulations	0	3
Sets of amended Regulations	16	9
Codes of Ethics and Conduct	0	2
Amended Codes of Ethics and Conduct	3	1
Total	**22**	**25**

In addition to the foregoing, at year end, reviews of the following were ongoing:

Table 14: Approval related matters initiated and ongoing at year end

	2011	2010
Charters	3	3
Memoranda of Association	1	-
Proposed amendments to Memoranda of Association	-	-
Articles of Association	1	-
Sets of existing full suite Bye-laws	3	4
Sets of proposed amendments to Bye-laws	1	2
Sets of Regulations	8	19
Sets of proposed amendments to Regulations	4	1
Codes of Ethics and Conduct	1	-
Proposed amendments to Codes of Ethics and Conduct	-	1
Total	**22**	**30**

[32] The approvals referred to in this Table relate to the ACCA, ICAI, and the ICPAI.

7. Complaints handling

7.1. Overview

For the purposes of the analyses set out in this Chapter, a *'complaint'* includes any expression of dissatisfaction with professional services provided by members/member firms of the PABs and/or with the regulation of accountants by the PABs, whether communicated to the Authority by members of the public or otherwise.

The Authority received a total of 26 complaints during the year under review. The nature of those complaints, together with details of the manner in which complaints were dealt with, is set out in Tables 15 to 17. The examination of complaints received forms an important part of the Authority's supervision of the PABs, in that analysing the nature of complaints received, together with the Authority's examination thereof, enables the Authority to determine whether the issues complained of are of an isolated nature or whether they are indicative of wider or systemic issues.

7.2. Complaints received

Details of complaints received during the year, together with comparative data in respect of the year ended 31 December, 2010, are set out in the Table below.

Table 15: Complaints received

	2011	2010
Complaints on hand as at 1 January	9	8
Complaints received during the year (see Table 17)	26	23
Complaints closed during the year (see Table 16)	(22)	(22)
Complaints on hand as at 31 December	**13**	**9**
Analysed by:		
Complaints under consideration at year end	10	7
Matters ongoing under the section 23 process (see Table 10)	3	2
Complaints on hand at 31 December	**13**	**9**

At year end, three matters arising from complaints remained under consideration by Authority Enquiry Committees in accordance with the provisions of the Section 23 Regulations. An overview of the Authority's section 23 Enquiry activity during the year is set out in section 3.

7.3. Complaints closed

As can be seen from the previous Table, a total of 22 complaints were closed during the year. The manner in which those complaints were closed is analysed in the Table below.

Table 16: Complaints closed – manner of closure

	2011	2010
Referral to relevant PAB[33]	20	14
Referral to another regulatory/enforcement body	1	-
Pursued with the relevant PAB as a regulatory matter	1	1
Completion of a Full Enquiry	-	2
No breach of process identified	-	4
Outside the remit of the Authority	-	1
Complaints closed during the year	**22**	**22**

7.4. Nature of complaints received

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

Table 17: Nature of issues giving rise to complaints received in 2011

	Total
Alleged failure to release client documentation	2
Allegation of unsatisfactory work	11
Dissatisfaction with some other aspect of the PABs' disciplinary procedures	7
Alleged breach of standards by a PAB member/member firm	2
Dissatisfaction with fees charged	2
Other	4
Total	**28**[34]

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

[34] The number of complaints received was 26. Of these, two complaints fell into more than one category.

7.5. Referrals from the Office of the Director of Corporate Enforcement and the Central Bank of Ireland

Over the course of the year, the Authority received a total of 22 referrals from the Office of the Director of Corporate Enforcement ('ODCE') and 1 referral from the Central Bank of Ireland. These referrals related to apparent non-compliance with professional standards, the Central Bank Act, 1997 and/or company law on the part of certain members/member firms of RABs. In response to these referrals, and in addition to ongoing liaison with the ODCE and the Central Bank of Ireland respectively, the Authority liaised with the RABs in relation to their regulatory responses to the underlying matters.

In the context that individual RABs were dealing with such regulatory referrals in different manners, during 2011 the Authority reached agreement whereby all RABs will now treat such regulatory referrals through their complaints and disciplinary processes rather than through any other regulatory channel. The Authority continues to supervise the RABs' responses through the routine supervision of their investigation and disciplinary processes.

Set out in the Table below is a summary of referrals received from the ODCE and the Central Bank of Ireland during the year, analysed by RAB.

Table 18: Summary of referrals from the ODCE and the Central Bank of Ireland in 2011

RAB	ODCE	Central Bank of Ireland	Total
ACCA	4	-	4
ICAI	8	-	8
ICPAI	7	-	7
IIPA	3	-	3
Multiple RABs	-	1	1
Total	**22**	**1**	**23**

Issues giving rise to referrals during the year included:

- the provision of audit reports not appropriate to an audited entity's legal structure (e.g. guarantee companies);
- the provision of audit reports by reference to incorrect Companies Acts;
- the appropriateness or otherwise of audit opinions;
- various company law related omissions and errors;
- the failure of a company officer to provide the auditor with information[35];
- the provision of audit services where there existed prohibited relationships[36];
- incorrect or omitted disclosures involving transactions with directors and others[37];
- lack of qualification to audit[38]; and
- the duty of auditors to report to the ODCE[39].

35 Section 197(3) of the 1990 Act.
36 Regulation 71 of S.I. 220 of 2010.
37 Section 41 to S46 of the 1990 Act.
38 Section 187 of the 1990 Act.
39 Section 194 (5) of the 1990 Act.

8. Supervisory reviews

During the year, the Authority continued its supervisory review activities and the principal issues arising related to the practical operation of PABs' investigation and disciplinary procedures. Significant issues arising included non-compliance with approved constitutional documents, delays in processing complaints, inadequate investigation of complaints and weaknesses in the documentation of complaints.

In all cases, the Authority's focus continued to be on effecting improvements in the relevant PABs' systems and processes rather than on the particulars of specific cases. At period end, a number of these matters remained under active consideration.

In addition, Authority staff held nine review meetings with PABs' representatives during the year, the purpose of such meetings being, amongst other things, to:

- discuss progress on the implementation of Authority recommendations;
- identify, discuss and plan for forthcoming developments of relevance in a supervisory context; and
- discuss matters of mutual interest from a regulatory perspective.

9. PABs' annual return process

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

- provide the Authority with information necessary to enable it to:
  - monitor the PABs' ongoing regulatory, monitoring and related activities; and
  - plan for supervisory reviews by, for example, identifying key areas, issues or trends deserving of particular attention or resource allocation; and
- enable the Authority to provide the public with an insight into the scale and composition of the profession as well as the PABs' principal regulatory and, where applicable, monitoring activities on an annual basis.

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

10. Implementation of the Statutory Audit Directive Regulations

10.1. Background to the Statutory Audit Directive Regulations

EU wide requirements regarding statutory audit and the qualifications necessary for eligibility to perform such audits were set out in the EU 8th Company Law Directive[40]. These requirements were subsequently incorporated into Irish law, principally *via* the 1990 Act.

In 2006, the EU 8th Company Law Directive was revised by the European Parliament and Council[41]. These revised requirements were transposed into Irish Law by the Statutory Audit Directive Regulations in 2010, which conferred significant additional functions and responsibilities on both the Authority and the RABs. For the purpose of assisting stakeholders to understand the implications of the Statutory Audit Directive Regulations, the Authority published a Guide to those Regulations in January, 2011[42].

A summary of some of the more significant additional functions and responsibilities conferred upon the Authority by the Regulations and an outline of certain of the work undertaken during the period under review in order to implement the Regulations' provisions is set out in the remainder of this section.

10.2. Additional functions and responsibilities conferred on the Authority

The Authority has been designated as the competent authority in the State with respect to the system of public oversight of Statutory Auditors and Statutory Audit Firms (i.e., by way of supervision of the PABs' regulation and monitoring of their members as provided for by the Act). The

40 84/253/EEC.

41 2006/43/EC.

42 The Guide can be accessed on the Authority's website at www.iaasa.ie/publications/Guide_8thDirective2011.pdf

Statutory Audit Directive Regulations provide that, without prejudice to its functions as provided for by the Act, the Authority shall generally supervise:

- the approval and registration of Statutory Auditors and Statutory Audit Firms;
- the adoption of standards on professional ethics, internal quality control of Statutory Audit Firms and auditing; and
- continuing education, quality assurance and investigative and disciplinary systems.

Other functions and responsibilities conferred on the Authority by the Statutory Audit Directive Regulations relate to, amongst other matters:

- receipt and consideration of notifications from Statutory Auditors and Audit Firms regarding cessation of office;
- approval of the standards, administration and content of the aptitude test for third country auditors and Member State Statutory Auditors;
- responsibility to perform public oversight on the quality assurance functions of the RABs, including, if considered necessary, the attachment of conditions to the recognition of the RABs;
- approval of the RABs' standards in relation to continuing education, professional ethics and independence & objectivity;
- requirement to approve the RABs' criteria for publication of disciplinary decisions, including any proposed changes to same;
- responsibility to co-operate with other Member States' competent authorities;
- supervision of RABs' co-operation with other Member States' competent authorities; and
- control over investigations requested by a Member State competent authority or supervision thereof if one of the RABs is the competent authority for the investigation.

10.3. Overview of activities relating to the Statutory Audit Directive Regulations

Work performed by the Authority during the year relating to the Statutory Audit Directive Regulations included:

- liaison with Individually Authorised Auditors ('IAAs') regarding the additional requirements imposed on them by the Statutory Audit Directive Regulations and facilitating their supervision by the RABs;
- receipt and handling of a significant number of queries relating to the Statutory Audit Directive Regulations (see Chapter 6 for further details regarding queries received by the Authority);
- developing standardised auditor and company notification forms and a series of Frequently Asked Questions and updates of the Authority's website;
- receipt and recording of 3,546 notifications relating to auditor resignations and removals;
- working with the RABs in their development of an aptitude test as required by Statutory Audit Directive Regulations 30 to 32, the content and administration of which would be approved by the Authority[43];
- interacting with the RABs in developing a common approach to the publication of disciplinary sanctions; and
- registration of third country auditors, as set out in further detail in section 11.

10.4. Individually Authorised Auditors

The Statutory Audit Directive Regulations contained a significant change insofar as IAAs are concerned. While their approval to act as Statutory Auditors (previously 'company' auditors) was deemed to be continued, this deemed approval ceases unless such individuals become either a member of, or subject to regulation by, a RAB '*as soon as may be*', a term which is not defined in the Statutory Audit Directive Regulations.

[43] The content and administration of the aptitude test was approved by the Authority in January, 2012.

Additionally, these individuals must ensure they are included on the Register of Auditors, as maintained by the Companies Registration Office ('CRO'). The reason for this is that Regulation 65 prohibits a person from acting as, or representing him/herself as, a Statutory Auditor unless his/her name is entered in the Register of Auditors.

The Authority continued to liaise with IAAs on an individual basis during the year with a view to ensuring they were fully aware of their obligations under the Statutory Audit Directive Regulations. As a result of this interaction, the majority of the IAAs that have not indicated that they are retired have subjected themselves to regulation by a RAB.

11. Registration of third country auditors and audit entities

11.1. Context – Commission Decisions

In July, 2008, the European Commission put in place a framework whereby auditors and audit entities from certain third countries could benefit from transitional arrangements under which they could continue to issue valid audit opinions in the European Union provided that certain requirements were met. The Commission did this by issuing Decision 2008/627/EC[44], and subsequently extended the transitional period in respect of certain third countries in early 2011[45] through Decision 2011/30/EU.

The transitional period set out in the first Decision applied to audit reports concerning annual or consolidated financial statements prepared in respect of financial years starting during the period from 29 June, 2008 to 1 July, 2010. Thereafter, in the absence of an extension to the transitional period, auditors and audit entities from the third countries concerned would require registration in accordance with the provisions of Regulation 113 of the Statutory Audit Directive Regulations in order to be eligible to issue valid audit opinions in the EU. The new Decision has extended the transitional period for a further two years for certain jurisdictions.

11.2. Implementation of Decision in national law

Decision No. 2008/627/EC was given effect to in Irish law by S.I. No. 229 of, 2009 (European Communities (Transitional Period Measures in Respect of Third Country Auditors) Regulations, 2009) ('the Transitional Regulations')[46]. The new Decision, which applies to audit reports concerning the annual or consolidated accounts for financial years starting during the period 2 July, 2010 to 31 July, 2012, had not, at year end, been transposed into Irish law.

11.3. Registration in accordance with Regulation 113 of the Statutory Audit Directive Regulations

Registration with the Authority under Regulation 113 of the Statutory Audit Directive Regulations is required if a third country audit entity wishes to provide an audit report concerning the annual or consolidated accounts of a company incorporated outside the EU/EEA whose transferable securities are admitted to trading on a regulated market in Ireland. Registration is, however, only required for those entities that cannot avail of the transitional regime detailed in sections 11.1 and 11.2 above.

Having been designated as the competent authority in this regard, the Authority developed a registration system and standardised application forms, consistent with those used in other jurisdictions. A series of Frequently Asked Questions was also developed and included on the Authority's website. Whilst the Authority received only one application for full registration during 2011, a number of enquiries were also received from prospective applicants.

Unlike the transitional registration process, under which applicants are merely required to furnish the Authority with certain relatively basic information, the full registration process under Regulation 113 involves a detailed assessment of each application in order that a decision can be made as to whether registration can be granted. In accordance with the provisions of the Statutory Audit Directive Regulations, the Authority assesses applications by reference to, amongst other matters, the following considerations and criteria:

[44] The text of the Decision can be accessed at www.iaasa.ie/legislation/EU_QA_Recs310708.pdf

[45] Decision, 2011/30/EU was issued on 19 January, 2011. The text of the decision can be accessed at http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:015:0012:0016:EN:PDF

[46] The text of the SI can be accessed at www.iaasa.ie/legislation/si229_2009.pdf

- qualifications of auditors within the applicant firm;
- qualifications of members of the administration/ management body of the applicant firm;
- practical experience of auditors within the applicant firm;
- good repute of the applicant firm and the auditors within the applicant firm;
- quality assurance history of the applicant firm;
- the auditing standards applied in the applicant's jurisdiction; and
- the professional standards (including those relating to independence, ethics and internal quality control) applied in the applicant's jurisdiction.

11.4. Other responsibilities in relation to third country auditors and audit entities

In addition to the registration of third country auditors and audit entities, the Authority has been conferred with other significant responsibilities under the Statutory Audit Directive Regulations relating to third country auditors. These additional responsibilities include:

- updating of Register of Auditors for approved applications and notifying changes in respect of same to the CRO;
- assessment of registered third country auditors' quality assurance regimes;
- implementation of a system of external quality assurance of registered third country auditors and audit entities where those auditors' and audit entities' home system of external quality assurance has been determined as not being equivalent to EU requirements and/or where reciprocal arrangements are not possible;
- implementation of a system of investigation and discipline covering registered third country auditors and audit entities;
- acting as competent authority for liaison with other Member States' and third countries' competent authorities on any matters relevant to the Statutory Audit Directive Regulations;
- administration of fees received from third country auditor applicants;
- responsibility for negotiation, conclusion and publication of reciprocal arrangements with third country competent authorities; and
- approval of the transfer of audit documentation to third country competent authorities.

12. Other activities

As part of its ongoing supervisory mandate, and in the furtherance of its mission and goals, the Authority seeks to develop and maintain strong bilateral links with certain domestic and international counterparts, as considered appropriate and permitted by law. Of particular significance in that context are the Authority's links with the:

- Central Bank of Ireland;
- Commission of Investigation into the Banking Sector;
- Companies Registration Office ('CRO');
- ODCE
- European Commission;
- European Group of Auditors' Oversight Bodies ('EGAOB');
- International Forum of Independent Audit Regulators ('IFIAR'); and
- US Public Company Accounting Oversight Board ('PCAOB');

12.1. Central Bank of Ireland

For the purpose of facilitating co-operation, the Authority entered into an MoU with the Central Bank of Ireland (the then Financial Regulator) in June, 2008. Where issues arise in the course of the Authority's ongoing supervisory activities that are considered to be connected with the Central Bank of Ireland's functions, the Authority refers such matters to the Central Bank of Ireland. During the year, the Authority did not have occasion to make any referrals to the Central Bank of Ireland. As set out in Table 18 above, the Central Bank of Ireland made one referral to the Authority in respect of its audit supervisory remit during the year. Chapter 4 details further interactions with the Central Bank of Ireland in a financial reporting context.

In addition to such formal referrals, Authority representatives participated in the auditor roundtable discussion with the Client Assets Task Force, which was established by the Central Bank of Ireland. The Authority is also a participant in the Central Bank of Ireland's Auditor Assurance working group. The objective of this group is to assist in the development by the Central Bank of Ireland of a framework for the provision of reasonable assurance over internal governance arrangements in regulated financial service providers.

12.2. CRO

During the year the Authority liaised with the CRO regarding the new process whereby an auditor's Annual Return Number must be included on annual returns. The Authority also worked with the CRO regarding the impact of the Statutory Audit Directive Regulations on the public Register of Auditors, in particular with regard to IAAs.

12.3. ODCE

For the purpose of facilitating co-operation, the Authority entered into a Memorandum of Understanding ('MoU') with the ODCE in May, 2006. Where issues arise in the course of the Authority's ongoing supervisory activities that are considered to be connected with the Director of Corporate Enforcement's functions, the Authority refers such matters to the ODCE. During the year, five referrals were made to the ODCE. As set out in Table 18, the ODCE made 22 referrals to the Authority during the year.

12.4. EGAOB

During the year the Authority continued its co-operative activities with other EU Member States' oversight authorities as a member of the EGAOB, an expert group established by the European Commission to assist it in the context of the EU-wide implementation of the Statutory Audit Directive. The functions and detailed work performed by the EGAOB were described in detail in the Authority's first Annual Report[47] and for that reason are not reproduced in this Report.

In October, 2010 the European Commission issued a Green Paper entitled *'Audit Policy: Lessons from the Crisis'*. The Authority issued a response to the Paper during the public consultation process and representatives subsequently attended the high level European Commission conference in February, 2011. On 14 December, 2011 the European Commission adopted proposals for a new Regulation and changes to the existing Statutory Audit Directive. The proposals include significant changes to the regulation and supervision of audits and the Authority continues to monitor the proposed changes.

12.5. IFIAR

During the year the Authority continued to be an active member of IFIAR. IFIAR members met on three occasions during the year, twice in plenary session and a further meeting taking the form of an audit inspection workshop.

12.6. PCAOB

During the year the Authority continued its ongoing engagement with the PCAOB on the issues of implementation of the Statutory Audit Directive Regulations and proposed PCAOB inspections of Irish audit firms. This topic is discussed in further detail in Chapter 5 of this Report in the context of the Authority's advisory role.

[47] www.iaasa.ie/publications/Annual_Report_2006.pdf

CHAPTER 4

Examining the Compliance of Certain Issuers' Periodic Financial Reporting with Relevant Reporting Frameworks

CHAPTER 4

Examining the Compliance of Certain Issuers' Periodic Financial Reporting with Relevant Reporting Frameworks

1. Introduction

This Chapter summarises the activities undertaken by the Authority during 2011 in addressing its mission of supporting and enhancing public confidence in financial reporting through the exercise of effective, independent oversight of constituent entities' statutory financial reporting.

The Authority's activities in this regard are concerned principally with its role as the designated competent authority in the State for examining the compliance of certain entities' periodic financial reporting with relevant reporting frameworks, i.e. applicable accounting standards (in the main IFRS[48] and Irish GAAP[49]) and relevant legislation. Other activities include:

(a) co-operation with EU counterparts, primarily for the purpose of promoting the consistent enforcement of IFRS across the EU; and

(b) the statutory function of co-operating in the development of accounting standards.

With the exception of the Authority's co-operation with others in the development of accounting standards, which is elaborated upon in Chapter 5 of this Report, the remainder of this Chapter discusses each of these activities in further detail.

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

2.1. Legislative context

As the context for the Authority's legislative function of monitoring the compliance of certain entities' periodic financial reporting with relevant reporting frameworks was set out in detail in the Authority's 2007 Annual Report[50], it is not reproduced in this Report. In summary, the Transparency (Directive 2004/109/EC) Regulations, 2007 ('the Transparency Regulations') provide that '*IAASA shall examine* [annual and half-yearly financial reports] *for the purpose of considering whether such information is in accordance with the relevant reporting framework*'[51]. Throughout the remainder of this Chapter, those entities coming within the Authority's remit under the Transparency Regulations are referred to as 'issuers'.

2.2. The Authority's remit

The Table below sets out, in approximate terms and as at 31 December, 2011, the scale of the review constituency as notified to the Authority by the Irish Stock Exchange ('ISE') on behalf of the Central Bank of Ireland[52]. This data excludes certain issuers whose home Member State is Ireland but whose securities are traded on an EU regulated market outside of the State, in respect of which accurate data is not currently available to the Authority.

48 International Financial Reporting Standards.

49 Generally Accepted Accounting Principles, which, in an Irish context, includes the Accounting Standards and related interpretations as issued by the UK Accounting Standards Board ('ASB').

50 Available at www.iaasa.ie/publications/Annual_Report2007.pdf

51 Regulation 42(2) refers.

52 The Central Bank of Ireland has chosen to delegate certain of its functions under the Transparency Regulations to the Irish Stock Exchange.

Table 19: Authority's financial reporting review constituency as at 31 December, 2011

Issuer category	Number of issuers in category	Half-yearly financial reports issued per annum	Annual financial reports issued per annum	Total number of periodic financial reports issued per annum
Equity[53]	26	26	26	52
Fund	32	32	32	64
Debt	88	72[54]	88	160
Total	**146**	**130**	**146**	**276**
Total as at 31 December, 2010	**159**	**133**	**159**	**292**

2.3. Purpose of review activity

The Authority's review activity comprises two principal elements, i.e.:

(a) examining whether issuers' periodic financial reporting complies with relevant reporting frameworks; and

(b) taking appropriate enforcement actions in response to identified infringements.

The purpose of the Authority's review activity is to:

(a) protect and promote the interests of the users of issuers' periodic financial reports;

(b) promote public confidence in the quality and reliability of issuers' statutory financial reporting; and

(c) contribute to the achievement of the consistent application of accounting standards across EU regulated financial markets.

The scope of enforcement extends to the entirety of the financial reporting framework applicable to issuers, including national GAAP when applied to company individual financial statements (as opposed to consolidated financial statements where the use of IFRS is mandated) and extends to third countries' accounting standards where non-EU issuers are concerned. Consequently, the Authority is responsible for the enforcement of IFRS, Irish GAAP and certain codes of third country GAAP depending on the reporting framework used by the affected issuer.

2.4. Approach towards selecting issuers' periodic financial reports for review

When determining which issuers' periodic financial reports will be subject to examination, the Authority uses a risk-based approach, which is supplemented by rotational selections (the purpose of the latter being to provide coverage of issuers that might otherwise be unlikely to be selected for examination on a purely risk-based approach).

[53] Equity issuers exclude:
(a) Allied Irish Banks plc whose share listing on the ISE's Main Market was cancelled on 13 April, 2011 following admission of its ordinary shares to trading on the ISE's Enterprise Securities Market;
(b) Irish Bank Resolution Corporation Limited (formerly Anglo Irish Bank Corporation Limited) whose share listing on the ISE's Main Market was cancelled on 21 January, 2009 following its nationalisation; and
(c) Irish Life & Permanent Group Holdings plc whose share listing on the ISE's Main Market was cancelled on 5 September, 2011 following admission of its ordinary shares to trading on the ISE's Enterprise Securities Market.

In each case, certain of these issuers' debt securities remain listed on the ISE Main Market and, consequently, each of these three issuers remain within scope of the Transparency Regulations as debt issuers.

[54] Certain debt issuers, i.e. those admitted to trading on a regulated market in a Member State before 1 January, 2005, are exempt from the requirement to produce half-yearly financial reports for a period of 10 years from 1 January, 2005. As a consequence, a lower number of half-yearly financial reports were published by debt issuers coming within remit during the year than was the case with annual financial reports. The figure included in this Table has been estimated based on notifications of periodic financial reports published as provided to the Authority by the ISE.

Further details of the considerations typically affecting risk assessment and the Authority's selection process can be found in the publication entitled *'A Guide to the Financial Reporting Requirements of the EU Transparency Directive and IAASA's role under the Directive'*[55]. In summary, the Authority's risk-based approach to the selection of financial reports for review has regard to the:

(a) risk of material misstatement in issuers' financial reports; and

(b) potential impact of such a misstatement on the users of financial reports.

The risk factors typically considered by the Authority in assessing the relative risk of an incidence of material misstatement in an issuer's periodic financial report and factors impacting its assessment of the potential impact of a material misstatement on the users of financial reports are set out in the aforementioned publication.

In circumstances where instances of non-compliance are identified in an issuer's periodic financial report, the potential for that issuer's subsequent periodic financial reports to be the subject of review increases.

The Authority has entered into Memoranda of Understanding with the Central Bank of Ireland and the ODCE. From time to time the Authority receives referrals from these and other parties. The receipt of a referral from another statutory body is treated as a risk factor and is, therefore, incorporated into the Authority's risk assessment and selection processes.

2.5. Categories of review

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

(a) Full Scope Reviews – these reviews comprise an examination of the selected financial report for compliance with the recognition, measurement, classification, presentation and disclosure requirements of the relevant reporting framework;

(b) Focused Reviews – these reviews involve the examination of a particular aspect (or aspects) of the selected financial report;

(c) Follow-up Reviews – these are reviews which examine a previously reviewed issuer's financial report for the purpose of assessing the adequacy of the issuer's responses to matters previously raised (for example, with a view to determining whether an issuer's directors have honoured undertakings previously provided to the Authority); and

(d) Thematic Reviews – the Authority undertakes reviews of the financial reporting practices adopted by a range of issuers in respect of one or more financial reporting matters. Thematic reviews are a new initiative for the Authority and the first such review was in progress at 31 December, 2011 and concerned the fair value and risk disclosures provided in selected debt and fund issuers' annual financial reports. Further details of this review are set out in section 3.2.

2.6. Approach towards issues arising from reviews of periodic financial reports

Where, having undertaken a review of an issuer's periodic financial report, it appears to the Authority that there are issues arising in respect of which further information and/or clarification is required, the Authority corresponds with those charged with the issuer's governance, i.e. the directors[56]. In such correspondence, the matters arising are set out in detail and the issuer's directors are requested to respond in writing, providing any information, clarification and/or explanations considered necessary.

Where directors' responses do not fully address the issue(s) raised or, as is frequently the case, directors' responses require further elaboration and/or clarification, the Authority typically enters into further correspondence with the directors. In instances where it is deemed more effective to do so, the Authority holds face-to-face meetings with issuer representatives, until such time as all information, clarifications and/or explanations necessary to enable an assessment to be made as to whether the periodic financial report is in

[55] Available at www.iaasa.ie/publications/IAASA_TD_Guide.pdf

[56] The Authority corresponds with the directors as opposed to, for example, management as, under company law, it is the directors that are legally responsible for the financial statements.

compliance with the relevant reporting framework have been obtained. Upon receipt of all information deemed necessary, the Authority determines whether the particular accounting treatment adopted and/or disclosures provided are in compliance with the relevant reporting framework.

It is important to note that not all matters raised with issuers' directors are suggestive of potential non-compliance with the relevant reporting framework. Rather, as considered necessary, the Authority seeks further information and/or clarification from issuers' directors for the purpose of enabling it to better understand the basis for certain of their accounting judgements in preparing periodic financial reports, including their judgements relating to recognition, measurement, classification, presentation and disclosure. On receipt of such further information and/or clarification from issuers' directors, matters raised by the Authority in initial correspondence may be closed without the need for restatement, additional disclosure or other actions on the part of the issuer.

As reported on previous occasions, based on experiences to date, the Authority has found that those issuers that are most forthcoming with the requisite information, clarifications and explanations are those that bring their contacts with the Authority to a successful conclusion in the most efficient and expeditious manner.

2.7. Periodic financial reports received during the year

Set out in the Table below are details of the number of periodic financial reports received by the Authority from the ISE during the year ended 31 December, 2011, together with comparative data in respect of the previous year.

Table 20: Periodic financial reports received from the ISE

	2011			2010		
Issuer category	Annual reports	Half-yearly reports	Total	Annual reports	Half-yearly reports	Total
Equity	30	28	58	30	30	60
Fund	32	32	64	39	38	77
Debt	84	69	153	86	66	152
Total	146	129	275	155	134	289

2.8. Overview of review activity during the year

Set out in the Table below are summary details of the Authority's review activity during the year.

Table 21: Summary of review activity – 2011: Reviews which had been completed or were at an advanced stage[57] by year end

	Equity	Fund	Debt	Total
Half-yearly reviews completed or were at an advanced stage by year end	5	2	5	12
Annual reviews completed or were at an advanced stage by year end	14	6	7	27
Total number of reviews completed or at an advanced stage by 31 December, 2011	19	8	12	39
Fund and debt issuers – thematic review*	-	6	14	20
Total number of reviews undertaken In 2011	**19**	**14**	**26**	**59**
Total number of reviews completed or at an advanced stage by 31 December, 2010	**22**	**7**	**13**	**42**

* As set out in more detail in section 3.2 below, during 2011 the Authority reviewed the risk and fair value disclosures provided by 20 selected debt and fund issuers in their annual financial reports. The results of this review were published in March, 2012 in a document entitled '*Review of the quality of selected debt and fund issuers' fair value and risk disclosures*'[58].

2.9. Issuers reviewed

Set out in the Tables below are details of those issuers whose periodic financial reports were reviewed during the year and whose reviews were, by year end, completed or at an advanced stage. This list excludes the 20 issuers that were subject to the thematic review as outlined in the Table above.

[57] *'At an advanced stage'* includes reviews where final correspondence with the issuer may not have issued but the matters under review had been substantially resolved and, where applicable, agreed with the issuer by year end.

[58] Available at www.iaasa.ie/publications/DebtFund_Mar2012.pdf

Table 22: List of issuers reviewed during 2011 – Equity

Issuer	Report type	Review type	Period end	Correspondence issued
Aer Lingus Group plc	Annual	Focused	31 December, 2010	Yes
Aminex plc	Half-yearly	Full	30 June, 2011	No
Bank of Ireland, the Governor and Company of the	Annual	Focused	31 December, 2009	Yes
Bank of Ireland, the Governor and Company of the	Half-yearly	Focused	30 June, 2011	Yes
Datalex plc	Half-yearly	Full	30 June, 2011	Yes
Dragon Oil plc	Annual	Follow-up	31 December, 2010	No
FBD Holdings plc	Annual	Focused	31 December, 2010	Yes
Grafton Group plc	Annual	Focused	31 December, 2010	Yes
Icon plc	Annual	Full	31 December, 2010	Yes
IFG Group plc	Half-yearly	Full	30 June, 2011	Yes
Independent News & Media plc	Annual	Follow-up	31 December, 2010	No
Irish Continental Group plc	Annual	Full	31 December, 2010	Yes
Kenmare Resources plc	Annual	Full	31 December, 2010	Yes
Kerry Group plc	Annual	Follow-up	31 December, 2010	No
Kingspan Group plc	Annual	Follow-up	31 December, 2010	Yes
Mosney plc	Annual	Full	31 October, 2010	Yes
Paddy Power plc	Annual	Follow-up	31 December, 2010	Yes
Readymix plc	Half-yearly	Full	30 June, 2011	Yes
Smurfit Kappa Group plc	Annual	Follow-up	31 December, 2010	No

Table 23: List of issuers reviewed during 2011 – Fund

Issuer	Report type	Review type	Period end	Correspondence issued
Census Investments 26 plc	Half-yearly	Follow-up	31 January, 2011	No
Crown Asia-Pacific Private Equity plc	Annual	Full	31 December, 2009	Yes
Crown Euro Buyout Opportunities II plc	Annual	Full	31 December, 2009	Yes
Crown Euro Private Equity plc	Annual	Full	31 December, 2009	Yes
Crown Private Equity plc	Annual	Full	31 December, 2009	Yes
Grafton Resource Investments Ltd	Annual	Full	31 December, 2009	Yes
Grafton Resource Investments Ltd	Annual	Follow-up	31 December, 2010	No
QMC Development Capital Fund plc	Half-yearly	Focused	30 June, 2010	Yes

Table 24: List of issuers reviewed during 2011 – Debt

Issuer	Report type	Review type	Period end	Correspondence issued
Allied Irish Banks plc	Half-yearly	Focused	30 June, 2011	Yes
Irish Bank Resolution Corporation Limited (formerly Anglo Irish Bank Corporation Ltd)	Half-yearly	Focused	30 June, 2011	Yes
ARM Asset Backed Securities S.A.	Annual	Focused	30 June, 2009	Yes
ARM Asset Backed Securities S.A.	Half-yearly	Focused	31 December, 2009	Yes
Irish Life & Permanent Group Holdings plc	Annual	Follow-up	31 December, 2010	Yes
Irish Life & Permanent Group Holdings plc	Half-yearly	Focused	30 June, 2011	Yes
MBA Community Loans plc	Half-yearly	Full	22 January, 2011	Yes
Premium Plus plc	Annual	Full	31 March, 2010	Yes
Premium Plus plc	Annual	Follow-up	31 March, 2011	No
Star Compass plc	Annual	Full	31 March, 2010	Yes
Star Compass plc	Annual	Follow-up	31 March, 2011	No
Willow No. 2 (Ireland) plc	Annual	Follow-up	31 December, 2010	No

The Authority completed its first cycle of reviews of equity issuers in 2011.

In respect of the reviews completed during 2011, a total of 192 (2010: 124) matters were raised with issuers' directors. The average number of matters raised with issuers in respect of full scope reviews was 10 (2010: 6), which resulted in a total of 115 undertakings being provided by issuers' directors. A further 11 undertakings were received in respect of reviews other than full scope reviews.

In the case of one equity issuer, the Authority had cause to raise queries in respect of 23 separate matters pertaining to its annual financial report, resulting in 10 undertakings being provided by the directors. A total of 13 separate matters were raised in respect of another equity issuer, resulting in 10 undertakings being provided.

A full scope review of one debt issuer's annual financial report resulted in the Authority having cause to raise queries in respect of 24 separate matters. That issuer's directors subsequently provided a total of 13 undertakings to the Authority in respect of future periodic financial reports.

In response to a total of 46 matters being raised with four related fund issuers, 40 undertakings were received from the directors of those entities.

2.10. Response to matters arising from reviews of periodic financial reports

In addressing matters arising from reviews, the Authority has a range of options at its disposal, including:

(a) securing undertakings from an issuer's directors, i.e. to the effect that instances of non-compliance or other deficiencies in periodic financial reporting will be rectified and/or will not recur in future reports. Such undertakings may, depending on the nature and significance of the non-compliance/deficiency, be either:

   i. applied prospectively, i.e. whereby amendments are made to future financial reports without the requirement to restate any previously reported amounts; or

   ii. applied retrospectively, i.e. whereby amendments are required to previously reported amounts in the comparatives in the next financial report and resultant disclosures are required in accordance with International Accounting Standard ('IAS') 8[59] or Financial Reporting Standard ('FRS') 3[60] and FRS 18[61];

[59] IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

[60] FRS 3 *Reporting financial performance.*

[61] FRS 18 *Accounting policies.*

(b) agreeing to the voluntary issuance of revised financial information by an issuer's directors, e.g. *via* the publication of a revised financial report;

(c) invoking the Authority's statutory powers as provided for by the Transparency Regulations and under which the Authority can:

   i. certify to the High Court an issuer's (or certain other relevant parties') failure to provide requested information and/or explanations; and

   ii. in certain circumstances, direct an issuer's directors to prepare and publish a revised periodic financial report, publish notice of that direction and direct the issuer to pay costs incurred by the Authority in examining the report; and

(d) request the Central Bank of Ireland to appoint an assessor where the Authority has reason to suspect that a prescribed contravention of the Transparency Regulations is being committed or has been committed. In the event that the assessor issues an adverse assessment, the Central Bank of Ireland may impose specified sanctions including:

   i. public or private cautions and reprimands;

   ii. a monetary penalty of up to €2.5m;

   iii. a direction disqualifying the assessee from being concerned in the management of, or having a qualifying holding in, any regulated financial service provider;

   iv. if the assessee is continuing to commit a prescribed contravention, a direction ordering the assessee to cease committing the contravention; and

   v. a direction to pay to the Central Bank of Ireland all, or a specified part, of the costs incurred by the Central Bank of Ireland in investigating the matter to which the assessment relates[62].

In determining the most appropriate manner in which to address matters arising from its reviews the Authority has regard to the circumstances of each case and seeks to pursue a course of action that is proportionate to the underlying matters and to their potential impact on the users of the relevant financial report(s). Accordingly, the Authority will only consider the provision of directors' undertakings in respect of future periodic financial reports to be an appropriate and proportionate response in certain instances. In cases of more significant non-compliance or other deficiency, the Authority will encourage the directors to publish an amended financial report (i.e., including amended financial statements) in the interests of the users of that report. In circumstances where, having afforded an issuer's directors the opportunity to offer their comments and observations, the Authority considers that the publication of an amended report is the most appropriate corrective action in users' interests and the issuer's directors do not share that analysis, the Authority considers whether it is necessary to take formal enforcement action under the Transparency Regulations.

During the year the Authority continued successfully to secure outcomes that were proportionate and in users' interests. As a result, the Authority completed a further year's review activity without having to resort to the exercise of its statutory powers. Whilst, as previously communicated, the Authority will, where appropriate and where no other option exists, consider exercising such powers, the Authority continues to hold the view that the current approach, which is considerably less costly and, therefore, more efficient than statutory enforcement actions, should, to the extent practicable, remain the principal means of ensuring high quality statutory financial reporting. As previously communicated, the extent to which this approach will continue to be practicable over the coming years is largely contingent upon issuers' continued willingness to engage positively with the Authority and to take the necessary steps to address issues arising in users' interests.

Set out in the Table below is a summary of issuers' responses to matters arising from reviews completed during the year.

[62] Regulations 61 to 74 refer.

Table 25: Issuers' responses to matters arising from reviews

Issuer category	No. of reviews where issuers' directors provided undertakings in respect of future periodic financial reports	No. of reviews where issuers' directors agreed to the voluntary publication of amended half-yearly financial reports	No. of reviews where issuers' directors agreed to the voluntary publication of amended annual financial reports	No. of issuers whose directors published non-voluntary amended financial reports
Equity	9	-	-	-
Fund	6	-	-	-
Debt	5	2	-	-
Total – 2011	**20**	**2**	**-**	**-**
Total – 2010	**18**	**3**	**-**	**-**

The above Table reflects the number of issuers who took remedial action as a result of correspondence received from the Authority as opposed to the number of individual financial reporting matters arising.

The remainder of this Chapter elaborates on the Authority's financial reporting review activity during 2011 under the following headings:

(a) matters arising from the Authority's 2011 reviews (section 3); and

(b) activities relating to the enforcement of IFRS across the EU – EECS[63] (section 4).

3. Matters arising from the Authority's 2011 reviews

3.1. Issues identified and examined during 2011

The Table below provides details of the nature of some of the issues identified and examined during the year.

[63] European Enforcers' Co-ordination Sessions.

Table 26: Issues identified and examined during 2011

Issue	Financial reporting standard or legislative requirement considered[64]
Settlement agreed with the tax authorities consequent on cost reduction programme	IAS 1, IAS 8, IAS 10, IAS 37 and Transparency Regulations
Valuation of property assets and use of directors' valuations	IAS 16
Testing of goodwill impairment, allocation of goodwill to Cash Generating Units ('CGUs') and determination of discount rate	IAS 36
Classification of property classified as held for sale	IAS 1 and IFRS 5
Disclosure of uncertainties associated with tax losses	IAS 1 and IAS 12
Calculation of Earnings per Share	IAS 8 and IAS 33
Profits available for distribution	Companies (Amendment) Act 1983
Multiple financial reporting matters concerning a fund issuer	IAS 1, IAS 7, IAS 24, IAS 27, IFRS 7 and IFRS 8
Disclosure of valuation techniques for financial assets and liabilities of a debt issuer	IFRS 7
Disclosure of non-financial commitments	IAS 34

3.2. Thematic review of certain debt and fund issuers' financial statements

During 2011 the Authority undertook a substantial examination of the quality of the risk and fair value disclosures provided in selected debt and fund issuers' annual financial reports. This review, on which work was at an advanced stage at 31 December, 2011 and which was published in early 2012[65], sought to address four aspects, namely:

(a) to identify trends in debt and fund issuers' reporting on aspects of IFRS 7[66], specifically in respect of:

  i. financial instrument fair value disclosures – valuation techniques and assumptions; and

  ii. financial instrument risk reporting;

(b) to increase awareness amongst relevant issuers of the requirements of the relevant reporting framework e.g. IFRS or Irish GAAP and the Transparency Regulations;

(c) to draw attention to apparent instances of non-compliance with the relevant reporting framework; and

(d) to assist those charged with debt and fund issuers' governance and management to achieve a higher standard of compliance with the relevant reporting framework than is currently the case.

64 IAS 1 *Presentation of Financial Statements*
IAS 7 *Statement of Cash Flows*
IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
IAS 10 *Events after the Reporting Period*
IAS 12 *Income Taxes*
IAS 16 *Property, Plant and Equipment*
IAS 24 *Related Party Disclosures*
IAS 27 *Consolidated and Separate Financial Statements*
IAS 33 *Earnings per Share*
IAS 34 *Interim Financial Reporting*
IAS 36 *Impairment of Assets*
IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*
IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*
IFRS 7 *Financial Instruments: Disclosure*
IFRS 8 *Operating Segments*

65 *'Review of the quality of selected debt and fund issuers' fair value and risk disclosures'*, available at www.iaasa.ie/publications/DebtFund_Mar2012.pdf

66 FRS 29 *Financial instruments: disclosures* being the corresponding pronouncement for Irish GAAP issuers.

IAASA's total debt and fund issuer review constituency comprises of 120 issuers (i.e., 88 debt issuers and 32 funds), who publish approximately 224 periodic financial reports per annum (i.e., 104 half-yearly financial reports and 120 annual financial reports). The survey presents the results of a review of a sample of 14 debt and 6 fund issuers' most recent annual financial reports, all ending during the calendar year 31 December, 2010.

4. Enforcement of IFRS across the EU – European Enforcers' Co-ordination Sessions ('EECS')

4.1. Background to the Authority's membership of the EECS

The background to the establishment of the ESMA (formerly CESR)[67] sponsored EECS was set out in detail in the Authority's first Annual Report[68] and is not, therefore, reproduced in this Report. In summary, the EECS was established with a view of facilitating the co-ordination and consistency of financial reporting enforcement practices across the EU. To that end, its membership includes both organisations that are securities regulators and, where Member States' financial reporting enforcement responsibilities do not reside with the national securities regulator (as is the case in Ireland[69]), the relevant financial reporting authority. It is in this context that the Authority is a member of the EECS.

EECS does not take enforcement decisions. Rather, while enforcement decisions are taken by Member States' national enforcement authorities, the EECS serves as a forum whereby EU financial reporting enforcement authorities discuss decisions taken by enforcement authorities and share perspectives, experiences and knowledge with each other. Similarly, the EECS does not issue interpretations of IFRS, which remains the role of the IFRS Interpretations Committee (formerly known as IFRIC).

4.2. EECS enforcement decisions database

With a view to fostering the consistent enforcement of IFRS across the EU, EECS members' enforcement decisions are recorded on a confidential database for members' future reference. While such decisions do not constitute precedent and are not, therefore, binding on other financial reporting enforcement authorities, the purpose of the database is to enable EU financial reporting enforcement authorities to consider decisions taken by their counterparts on similar issues and to determine the extent to which regard might appropriately be had to same in their own decision making processes – while having regard to the fact that the circumstances surrounding individual issues are frequently not the same.

For the benefit of preparers and other stakeholders, summaries of enforcement decisions taken by EECS members are published periodically. During 2011, ESMA published its 10th and 11th such summaries (on 23 February, 2011 and 16 August, 2011 respectively). Those summaries published by ESMA to date, which do not name the issuers concerned, can be accessed on the Authority's website[70].

4.3. EECS activities

During the year, the EECS' principal activities included:

(a) discussing accounting enforcement decisions taken by EU accounting enforcement authorities;

(b) discussing emerging issues currently under examination by EU accounting enforcement authorities;

(c) contributing to the confidential database of enforcement decisions;

(d) publishing, for the benefit of issuers and other interested parties, summaries of enforcement decisions posted to the EECS database[71];

(e) sharing and comparing practical experiences in the field of accounting enforcement such as selection, risk assessment, review methodology, contacts with issuers and auditors, etc;

(f) holding two meetings with representatives of the IFRS Interpretations Committee in order to discuss complex issues identified by EECS members either for which there is no specific IFRS guidance or where widely diverging interpretations exist;

(g) publishing (*via* ESMA) a Consultation paper entitled '*Considerations of materiality in financial reporting*'[72] (see section 4.5.1 for more details);

67 CESR (the Committee of European Securities Regulators) was replaced by ESMA (the European Securities and Markets Authority) with effect from 1 January, 2011.

68 Section 4 of Chapter 2 of the Authority's 2006 Annual Report refers.

69 The Central Bank of Ireland is also a member of the EECS.

70 www.iaasa.ie/publications/index.htm.

71 Available *via* www.iaasa.ie/publications/index.htm

72 Available *via* www.esma.europa.eu/system/files/2011_373_.pdf

(h) publishing (*via* ESMA) the second annual activity report on the enforcement of IFRS in Europe, the purpose of which was to provide stakeholders with an overview of the monitoring and enforcement of IFRS across the EU[73];

(i) publishing (*via* ESMA) a statement concerning disclosures related to sovereign debt to be included in IFRS financial statements[74]; and

(j) conducting studies of how IFRS is applied in practice in respect of certain matters, an example of which was the Report published entitled '*Review of European enforcers on the implementation of IFRS 8 – Operating Segments*'[75].

4.4. Authority participation in the EECS

During the year under review:

(a) Authority staff attended 7 of the 8 (2010: 8 of the 8) EECS plenary meetings held in 2011 and actively participated in the consideration of issues brought to the EECS by other members;

(b) the Authority submitted 10 (2010: 10) decisions to the database;

(c) the Authority presented 8 (2010: 12) decisions to the plenary for discussion;

(d) the Authority submitted and presented 3 (2010: 4) emerging cases to the plenary for discussion;

(e) the Authority's paper '*Observations on Selected Financial Reporting Issues – Issuers' Financial Years Ending on or after 31 December, 2010'* and its 2010 Annual Report were presented to the plenary by Authority staff;

(f) Authority staff actively participated in the 2 (2010: 2) meetings held with the IFRS Interpretations Committee; and

(g) the Authority supplied information for the publications outlined in section 4.3 and conducted the surveys on the application of IFRS across the EU from an Irish perspective.

4.5. Other sub-groups of ESMA/EECS in which Authority staff are involved

4.5.1. Sub-Group on Materiality

The Authority's Head of Financial Reporting Supervision chairs this sub-group. The objective of the Group is to analyse and identify the principles of a common approach to be considered by European accounting enforcers. In November, 2011, the Group (*via* ESMA) published a Consultation Paper entitled '*Considerations of materiality in financial reporting'*, the purpose of which was to seek comments from interested parties on their understanding of various aspects of materiality in an effort to contribute to a consistent application of this important concept in financial reporting across the EU.

4.5.2.EECS Agenda Group

In addition to the Authority's participation in plenary related matters, the Authority's Head of Financial Reporting Supervision is also a member of the Agenda Group. Accordingly, in addition to being an active contributor to the Group's activities at plenary level, the Authority also has a direct input to, and involvement in:

(a) the review of emerging cases and decisions as tabled by EU national enforcers with a view to assessing those which should be afforded priority for consideration and discussion at the plenary; and

(b) the review of enforcement decisions taken by EU national enforcers with a view to determining whether they meet the criteria for publication[76].

4.5.3. Revision of Enforcement Standards Group

The Authority's Head of Financial Reporting Supervision is also a member of the Revision of Enforcement Standards Group, which is charged by the plenary with the development of common review methodologies and is tasked with developing the standards and the guidance on enforcement with a view to achieving further convergence in the enforcement of financial information in the EU.

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73 Available *via* www.iaasa.ie/publications/ESMA/2011_355.pdf

74 Available *via* www.esma.europa.eu/system/files/2011_397.pdf

75 Available *via* www.esma.europa.eu/system/files/2011_372.pdf

76 All decisions submitted to the enforcement database are considered as appropriate for publication, unless:
- similar decisions have already been published by ESMA, and publication of a new decision would not add any substantial value to the fostering of consistent application;
- the decision deals with a simple accounting issue that, even having been considered a material infringement, does not in itself have any accounting merit;
- there is no consensus in the EECS to support the submitted decision; or
- a particular EU National Enforcer, on a grounded and justified basis, believes that the decision should not be published.

5. Accounting Standards Board ('ASB')

During the year the Authority continued to act as an observer at ASB meetings, an activity that facilitates the Authority in discharging its role of co-operating in the development of accounting standards and to identify at an early stage developments that may have a particular relevance to, or bearing on, Ireland. Further detail of the Authority's ASB-related activities can be found in Chapter 5 of this Report.

CHAPTER 5

Promotion of Adherence to High Professional Standards in the Auditing and Accountancy Profession and Acting as a Specialist Source of Advice to the Minister on Auditing and Accounting Matters

CHAPTER 5

Promotion of Adherence to High Professional Standards in the Auditing and Accountancy Profession and Acting as a Specialist Source of Advice to the Minister on Auditing and Accounting Matters

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

1.1. Approach to promoting adherence to high professional standards in the auditing and accountancy profession

The promotion of adherence to high professional standards by the auditing and accountancy profession is a core element of the Authority's mission and is, therefore, embedded within, and permeates all aspects of, the Authority's activities.

In summary, during the year the Authority's approach continued to be to promote adherence to high professional standards by the auditing and accountancy profession through three principal avenues, namely by:

- promoting adherence to high professional standards through interaction with the auditing and accountancy profession;
- promoting adherence to high professional standards through interaction with other stakeholder groups and with the wider public; and
- co-operating with interested parties in the development of auditing and accounting standards.

1.2. Interaction with the auditing and accountancy profession

During the year the Authority sought to promote adherence to high professional standards through:

(a) continuing to provide members of the auditing and accountancy profession with an understanding of the Authority's role, functions and principal findings through, amongst other avenues, the delivery of information presentations and by contributing articles to professional publications (details of presentations delivered and articles written by Authority staff during the year are set out in the Appendix to this Report);

(b) reviewing proposed amendments to the PABs' constitutions, Bye-laws, regulations and other standards and, where considered necessary or otherwise appropriate, seeking/requiring amendments thereto;

(c) tabling recommendations to the PABs where the Authority's ongoing review and related activities identified scope for improvement in the manner in which members and member firms are being regulated and, where applicable, monitored; and

(d) reviewing complaints received and other indications of possible non-compliance relating to members of the PABs and to the PABs themselves and, where considered necessary, initiating statutory Enquiries into such matters with a view to determining whether:

   i. breaches of approved procedures have occurred; and

   ii. parallel regulatory responses are necessary or otherwise appropriate.

Further information regarding the Authority's activities in the context of (b) to (d) above is set out in Chapter 3 of this Report.

1.3. Interaction with other stakeholder groups and with the wider public

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

(a) continuing to review, on a risk assessed basis, selected constituent issuers' periodic financial reports for compliance with relevant reporting frameworks and, where considered necessary or otherwise appropriate, seeking further information and clarification from issuers regarding matters including apparent non-compliance with relevant aspects of accounting standards and legislative requirements;

(b) responding to queries received from members of the public, thereby providing querists with the information necessary to enable them to:

   i. understand the Authority's and PABs' respective roles in the complaints/ disciplinary processes;

   ii. understand issuers' periodic financial reporting obligations under the Transparency Regulations; and

   iii. direct complaints to other relevant authorities, where appropriate; and

(c) providing stakeholder groups and the wider public with an understanding of the Authority's role and functions through the delivery of information presentations and contributing articles to professional publications (details of presentations delivered and articles written by Authority staff during the year are set out in the Appendix to this Report).

Further information regarding the Authority's activities in the context of (a) above can be obtained in Chapter 4 of this Report while further information regarding (b) above can be obtained in Chapter 6.

1.4. Provision of observations on year-end financial reporting issues for stakeholders' benefit

In previous years the Authority has published its observations on certain financial reporting matters considered to warrant particular attention by issuers' Boards, Audit Committees and management as they prepare their annual financial statements. Feedback received strongly suggests that these publications are considered to be useful to a number of the Authority's principal stakeholder groupings.

In presenting their results in respect of the year ended 31 December, 2010 issuers reported against a background of ongoing market uncertainty, reduced access to credit, weak economic activity and potentially impaired asset values, each of which gave rise to significant challenges in the context of financial reporting. In that context, the Authority offered commentary, by way of an observations document published in January, 2011 on selected financial reporting issues for Boards' and Audit Committees' benefit[77].

For the 2011 reporting season, the economic backdrop, whereby the export sector continued to be a key driver of economic recovery with domestic consumer sentiment remaining fragile with weak consumer demand, presented challenges to many issuers. This, in combination with an uncertain global outlook, led to some downward adjustments to growth forecasts for 2012. Continuing concerns regarding the eurozone bloc and a lowering of forecasts for economic growth in the eurozone, the UK and most of Ireland's major trading markets meant that trading conditions remained challenging for many issuers, in particular those relying on the Irish domestic market. This economic backdrop resulted in ongoing risk and uncertainty in the recognition, measurement and classification of revenues, expenses, assets and liabilities in financial statements in respect of financial years ending on or after 31 December, 2011 as well as to associated risks in the context of presentation and disclosure. The Authority, in order to aid issuers' Boards and Audit Committees in preparing their financial statements and consistent with previous years' advocacy initiatives, published an observations document in January, 2012 on selected financial reporting issues[78].

The Table below provides a brief summary of the matters addressed in the document.

[77] The publication *Observations on Selected Financial Reporting Issues – Issuers' Financial Years Ending On or After 31 December, 2010* is available at www.iaasa.ie/publications/Obsdoc_Jan11.pdf

[78] The publication *Observations on Selected Financial Reporting Issues – Issuers' Financial Years Ending On or After 31 December, 2011* is available at www.iaasa.ie/publications/Obsdoc_Jan12.pdf

Table 27: Summary of matters addressed in the Authority's *Observations* documents

January, 2011 document	
1. Financial instruments – recognition and measurement, fair value disclosures and risk disclosures; 2. Impairments; 3. Pension accounting and discount rates; 4. Bank covenants; 5. Disclosure of Key Management Personnel ('KMP') compensation; 6. Revisions to IAS 1; 7. Operating segments;	8. IAS 37 requirements regarding aggregation of classes of provisions; 9. Restatement and reclassification of amounts; 10. Limited recourse debt issuers – risk disclosures; 11. Changes to IAS 34 requirements regarding significant balance sheet movements; and 12. New legislation and accounting pronouncements applicable for 2010 year ends (i.e. IFRS 3 (revised), IAS 24 (revised) disclosure of auditors' remuneration[79], corporate governance disclosures[80], IFRIC 17 and IFRIC 18).
January, 2012 document	
1. Continued applicability of matters raised in earlier years' *Observations* documents, including: • impairment of non-financial assets/intangible assets; • operating segments; • employee benefits – discount rates; • re-classifications; • fair value measurements; and • the overall quality of financial reporting; 2. Employee benefits – factors to be considered in determining the appropriate financial reporting treatment to be applied in instances where amendments to employee benefit plans are undertaken; 3. Provisions: • considerations applicable to the recognition criteria and measurement bases to be applied to provisions, contingent liabilities and contingent assets to ensure sufficient information is disclosed in the financial statements to enable users to understand the nature, timing and amount of such items; and • the financial reporting requirements with regard to the recognition and measurement of restructuring provisions.	4. Risks and uncertainties: • the Transparency Regulations require that the management report shall provide a balanced and comprehensive review of the development of the business in the period; and • in the context of 'liability management exercises', the financial reporting treatment prescribed in IAS 39 (i.e. when it is appropriate to derecognise a financial liability and the recognition of a new financial liability together with the recognition of a gain/loss in the Statement of Comprehensive Income and the disclosures necessary to explain the nature of the debt exchange, the significant terms of the transaction and the impact on the financial position); 5. Risk disclosures: the euro – in assessing the principal risks and uncertainties facing an issuer, and in determining the appropriate disclosures to be provided regarding the assumptions it makes about the future and other major sources of estimation uncertainty, risks associated with the future of the euro as a currency need to be evaluated; 6. Risk disclosures: fund and debt issuers – IFRS 7 requires issuers to provide disclosures that enable users to evaluate the significance of financial instruments for the issuer's financial position and performance, and the nature and extent of risks arising from financial instruments to which the issuer is exposed and how the issuer manages those risks;

[79] The European Communities (Statutory Audits) (Directive 2006/43/EC) Regulations 2010 refer.

[80] The European Communities (Directive 2006/46/EC) Regulations, 2009 as amended by the European Communities (Directive 2006/46/EC) (Amendment) Regulations 2010 refer.

January, 2012 document (continued)

7. Recoverable amount of assets/Cash Generating Units ('CGUs') – where an issuer has material CGU(s) containing goodwill or intangible assets with indefinite useful lives, Boards and Audit Committees should scrutinise the methodology used to determine the value-in-use attributed to assets/CGUs, the key assumptions underpinning the calculations and forecasts, and the changes therein, during the period;
8. Tax risks and uncertainties – it is IAASA's expectation that, in situations where an issuer is not in a position to provide reliable quantitative disclosures regarding tax uncertainties, the issuer will provide a description of both its tax position and the associated assumptions and uncertainties;
9. Sovereign debt – the continued pressures facing sovereign debt issuers and the effectiveness of international programmes to address such pressures impacts on the measurement of issuers' holdings – direct and indirect – of such debt. Factors that those issuers having material holdings of sovereign debt should consider in preparing their 2011 financial statements are set out in the document;
10. Financial reporting considerations relevant to the making of distributions – the attention of Boards and Audit Committees was drawn to the legislative provisions applying in this area, thereby assisting them in complying with their obligations in advance of the making of distributions;
11. Materiality – it is IAASA's clear expectation that, where the disclosure of details regarding the quantitative and qualitative criteria applied in making materiality judgments is necessary in order to aid users' understanding of periodic financial reports, that issuers will disclose such information;
12. Presentational errors – it is IAASA's expectation that sufficient time and resources will be directed to the finalisation of financial statements in order to minimise the risk of errors going undetected and uncorrected;
13. Exceptional items and non-recurring items – issuers should carefully consider whether exceptional items and non-recurring items warrant the disclosure of an accounting policy to aid users' understanding of the basis on which such items are identified and presented;
14. Interim reporting – IAS 34 requires the disclosure of:
    - specified segment information for entities applying IFRS 8; and
    - the effect of changes in the composition of the issuer during the interim period and, in the case of business combinations, the issuer shall provide the disclosures required by IFRS 3; and
15. New and amended accounting pronouncements:
    - the requirements of IAS 24 (revised) are effective for annual periods beginning on or after 1 January, 2011; and
    - the promulgation status of, and effective dates for, current Standards was summarised in the Observations document.

1.5. Publication of Information Note

Company law requires that before a company can make a distribution (such as, for example, paying a dividend), certain criteria, including criteria relating directly to financial reporting, must be satisfied.

During the course of its financial reporting review activity, the Authority has identified a number of instances in which certain company law financial reporting related criteria were not met in advance of the making of distributions.

Consequently, in June, 2011 the Authority published an Information Note entitled '*Financial reporting considerations relevant to the making of distributions*'[81] for the purpose of drawing to the attention of those companies coming within the Authority's financial reporting review remit the relevant legislative provisions applying in this area, thereby assisting them to ensure compliance with their obligations in advance of the making of distributions.

1.6. Co-operation with interested parties in the development of accounting standards and practice notes

The background to the Authority's observer status at the Accounting Standards Board ('ASB') was set out in the Authority's 2006 Annual Report[82] and is not, therefore, reproduced in this Report. In summary, the Authority sought, and was granted, ASB observer status in the context of its statutory mandate (as provided for by section 9(2)(k) of the Act) to co-operate with interested parties in the development of Accounting Standards and Practice Notes.

As well as facilitating contribution to ASB discussions and outputs generally (which comprise mainly of revised Standards, Exposure Drafts and Discussion Papers), ASB observer status facilitates the early identification by the Authority of issues that are, or could potentially be, of particular interest or relevance in an Irish context.

While the ASB published a number of documents during the year that were of interest in an Irish context, one issue of particular relevance to Irish preparers of financial statements was the publication of three Financial Reporting Exposure Drafts ('FREDs') 46 to 48. The FREDs set out the ASB's revised proposals for the future of financial reporting in the UK and Republic of Ireland (i.e. for those entities not required, or not voluntarily electing, to apply IFRS). These proposals are intended to apply for accounting periods beginning on or after 1 January, 2015.

The revised proposals recommend:

- replacing existing standards (i.e. Irish GAAP) with a single FRS, based on the IFRS for SMEs;
- allowing certain entities to apply a reduced disclosure framework; and
- retaining the Financial Reporting Standard for Smaller Entities ('FRSSE').

The FREDs contain significant changes to the ASB's previous proposals, including:

- elimination of the concept of 'public accountability' and the consequent requirement to apply EU-adopted IFRS;
- incorporating accounting treatments permitted under current accounting standards which are not included in the IFRS for SMEs; and
- including guidance for public benefit entities within the single FRS.

If implemented as proposed, these FREDs would impact the vast majority of Irish (as well as UK) companies and would lead to major changes to the financial reporting regime currently operating in Ireland.

In addition to actively participating in the consideration of issues discussed by the ASB, Authority staff also contributed to the drafting (and associated research) of the various Irish legal references and other such text appearing in the FREDs[83].

During the year, the Department of Jobs, Enterprise & Innovation organised a number of stakeholder meetings in order to facilitate discussion by interested parties of the implications of the ASB proposals. Authority staff actively participated in these discussions.

1.7. Co-operation with interested parties in the development of Auditing Standards and Practice Notes

During the year the Authority continued to act as an observer at meetings of the Auditing Practices Board ('APB'), an activity that assists the Authority to discharge its role of co-operation in the development of Auditing and Ethical Standards and to identify at an early stage developments that may have a particular relevance to, or bearing on, Ireland.

[81] Available at www.iaasa.ie/publications/Distributions_June2011.pdf

[82] Section 5 of Chapter 2 of the Authority's 2006 Annual Report refers (available at www.iaasa.ie/publications/Annual_Report_2006.pdf).

[83] Available at www.frc.org.uk/asb/technical/projects/project0072.html

Some of the APB's more significant activities during the year included:

- the establishment of an Irish Sub-committee, of which the Authority is a member;
- consideration of its response to the European Commission's Green Paper on proposed reforms to the European audit market;
- examination of the issue of auditor scepticism, which resulted in the publication of an FRC Paper on that topic;
- consideration of amendments to the Ethical Standards applying to auditors;
- the development of a Bulletin on client assets;
- consideration of proposed revisions to International Standards on Auditing ('ISAs') 700, 705 and 706 (in the context of auditors' reporting in Ireland); and
- the development of a Practice Note on public sector audits in Ireland.

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

2.1. Provision of accounting advice to the Department of Jobs, Enterprise & Innovation

During the year, the Authority provided advice and comments to the Department of Jobs, Enterprise & Innovation ('the Department') on a range of accounting and other matters including on:

(a) a Proposal for a Directive of the European Parliament and of the Council amending Council Directive 78/660/EEC on the annual accounts of micro-entities[84]. The Proposal's key feature is that Member States would be permitted, as opposed to required, to exempt micro-entities from certain requirements of the 4th Directive[85]. The key exemption available would be to exempt micro-entities from the requirement '*to recognise and present 'Prepayments and accrued income' and 'Accruals and deferred income' according to Articles 18 and 21*'[86] of the 4th Directive. In practice, such an exemption would result in micro-entities' accounts being presented on a cash receipts and payments basis and, as such, this would represent a significant change to the recognition and measurement principles as currently applied by such entities;

(b) aspects of certain proposals contained in the Companies Consolidation and Reform Bill;

(c) a proposal for a Directive of the European Parliament and of the Council on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings repealing and replacing the two Accounting Directives – the 4th Directive and the 7th Directive[87] of limited liability companies – by a single Directive (COM (2011) 684 final);

(d) concerns communicated by the International Accounting Standards Board ('IASB') to ESMA regarding the accounting of some European issuers for distressed sovereign debt;

(e) the OECD STRI[88] index in respect of accountancy services in Ireland; and

(f) section 38 of the draft Legal Services Bill which relates to Accountants' Certificates.

2.2. European Commission Recommendation on External Quality Assurance of Auditors of Public Interest Entities[89]

As set out in the 2010 Annual Report, subsequent to the enactment of the Statutory Audit Directive Regulations in May, 2010, the Department announced that the then Minister for Trade & Commerce, Mr. Billy Kelleher, TD, had decided:

(a) that the European Commission Recommendation on External Quality Assurance of Auditors of Public Interest Entities[90] ('PIEs') ('the Recommendation') should be implemented in Ireland;

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84 '*Micro-entities*' are defined as companies which on their balance sheet dates do not exceed the limits of two of the three following criteria:
(a) balance sheet total: €500,000;
(b) net turnover: €1,000,000;
(c) average number of employees during the financial year: 10.

85 Directive 78/660/EEC on individual financial statements, implemented in Ireland through the Companies (Amendment) Act, 1986.

86 Article 1a(2)(a) of the Proposal.

87 Directive 83/349/EEC on consolidated financial statements.

88 Organisation for Economic Cooperation & Development Services Trade Restrictiveness Index.

89 This document may be accessed at www.iaasa.ie/publications/EU_QA_Recs080508.pdf

90 PIEs comprise of entities whose securities have been admitted to trading on certain regulated markets, credit institutions and insurance undertakings.

(b) that the model of implementation would be one of direct inspections, i.e. whereby the Authority would assume full responsibility for the external quality assurance of the audits of PIEs and the profession would cease to have a role in that regard; and

(c) the costs of implementing the Recommendation would be borne by the profession.

Subsequent to that announcement and pursuant to a request from the Minister, the Authority submitted an implementation plan for the Recommendation and consideration of this plan by the Minister and his Department was still ongoing at year end.

2.3. Transitional Decision for Third Country Registration

As set out in Chapter 3, the European Commission put in place a framework whereby auditors and audit entities from certain third countries could benefit from transitional arrangements under which they could continue to issue valid audit opinions in the EU provided that certain requirements were met. The European Commission extended the transitional period in respect of certain third countries in early 2011 (through Decision 2011/30/EU)[91] and it applies to audit reports concerning the annual or consolidated accounts for financial years starting during the period 2 July, 2010 to 31 July, 2012. The Department is working on a statutory instrument to transpose this decision into Irish law and the Authority has provided advice and comments to the Department on a number of occasions during the year on this matter. Work on the Statutory Instrument by the Minister and his Department was still ongoing at year end.

2.4. PCAOB proposals to conduct inspections of Irish audit firms

In the context of the PCAOB's proposals to perform inspections of Irish PCAOB-registered audit firms, the Authority continued to liaise with the PCAOB to agree a Statement of Protocol for working arrangements on the basis of reciprocity between the Authority and the PCAOB. At year end, the Authority was continuing with its interaction with the PCAOB in this regard.

While in 2010, the European Commission took an adequacy decision for the purposes of Article 47(1) under the Statutory Audit Directive in respect of the United States, for the working arrangements to be concluded, the European Commission Recommendation on Quality Assurance will also need to be implemented, as this will facilitate the PCAOB relying upon IAASA's quality assurance and regulatory system. Further detail on this aspect is set out in paragraph 2.2 above.

3. Other advisory inputs

3.1. Provision of assistance to the Central Bank of Ireland

On 20 December, 2011, the Central Bank of Ireland published guidelines to be followed by the Covered Institutions in the development and application of their impairment provisioning frameworks. The guidelines, entitled '*Impairment Provisioning and Disclosure Guidelines*'[92], set out the policies, procedures and disclosures which the Covered Institutions should adopt for their loan asset portfolios which are subject to impairment review in accordance with IAS 39[93]. The Central Bank of Ireland expects that these guidelines will be reflected in the Covered Institutions' 2011 annual results.

The Authority provided its observations to the Central Bank of Ireland during its preparation of the guidelines.

3.2. Company Law Review Group

The Company Law Review Group ('CLRG') is a statutory body established by the Company Law Enforcement Act 2001 for the purpose of advising the Minister on company law related matters[94]. The Authority is a body entitled to nominate a member to the CLRG and, through its nominee's membership[95], the Authority contributed to the CLRG's ongoing provision of advice to the Minister during the year.

In addition to the foregoing, the Authority's nominee chaired a CLRG sub-committee charged with examining and making recommendations in respect of certain matters relating to auditors' reporting obligations.

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91 Decision, 2011/30/EU was issued on 19 January, 2011. The text of the decision can be accessed at http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:015:0012:0016:EN:PDF

92 Available at www.centralbank.ie/press-area/press-releases/Documents/Impairment%20Provisioning%20Guidelines-%20Central%20Bank%20of%20Ireland%20-%20Decemeber%202011.pdf

93 IAS 39 *Financial Instruments: Recognition and Measurement*

94 Further information on the CLRG and its activities can be accessed at www.clrg.org

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

CHAPTER 6

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

Ensuring the Authority's Adherence to its Legal and Governance Obligations as a Body Established Under Statute and Providing a High Quality Service to Internal and External Stakeholders

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

1.1. Introduction

The Board is principally assisted in ensuring the Authority's compliance with its legal and governance obligations by the Secretary & Head of Legal Services and the Head of Finance & Administration respectively. Where applicable, other members of the Authority's staff and management contribute as required to the Authority's ongoing compliance with its obligations.

1.2. Legal requirements under the Companies Acts

As a company limited by guarantee, the Authority and its directors have a range of legal obligations and responsibilities under the Companies Acts[96]. During the year, in compliance with the Authority's obligations as a company, the directors:

- held the Authority's fifth Annual General Meeting (on 5 July, 2011); and
- filed the company's annual return with the Registrar of Companies (on 12 July, 2011).

As detailed further in the Report of the Directors, the Authority has taken the steps necessary to ensure that, in compliance with section 202 of the 1990 Act, proper books and accounting records are maintained. Similarly, the Secretary is charged with maintaining the Authority's statutory Registers and ensuring that all filings are made to the Registrar of Companies within prescribed timeframes.

1.3. Principal legal requirements under other legislation

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

- health and safety legislation;
- employment, and related legislation;
- tax law, including those provisions relating to the necessity for certain service providers to the Authority to furnish valid Tax Clearance Certificates in advance of payments being made;
- the Ethics in Public Office Acts; and
- the European Communities (Late Payments in Commercial Transactions) Regulations, 2002.

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

1.4. Adherence to the Code of Practice for the Governance of State Bodies

As a body established under statute, the Authority is subject to the Code of Practice for the Governance of State Bodies ('the Code'), as issued by the Department of Finance and most recently revised in 2009. The Authority has, amongst others, taken the following steps to ensure its ongoing compliance with the Code:

- adopted a Schedule of Matters Reserved to the Board (which is reviewed by the Board from time to time);
- documented the Chief Executive's and Chairperson's respective roles;
- adopted formal and documented delegations of authority to Board Committees and to the Chief Executive (which are reviewed from time to time);
- put in place measures whereby directors have access to the advice and services of the Secretary;
- implemented measures whereby directors have access to independent legal advice where considered necessary;
- put in place mechanisms by which the Board is regularly apprised of significant matters pertaining to the Authority's supervisory and enforcement remits and to its finances;

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

- 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 and induction pack upon appointment to the Board;
- adopted Codes of Conduct for both directors and employees[97];
- appointed an Audit Committee comprising of non-executive directors, appointed an external provider of internal audit services and developed and approved Charters for both the Audit Committee and internal auditors which reflect both best practice and the Code's requirements;
- developed risk management policies and procedures designed to identify and quantify key business risks and to assist the Authority in the management of those risks;
- put in place a system of documented internal controls and related procedures, which addresses, amongst other things, the Authority's obligations under public sector procurement requirements;
- adopted a whistle blowing procedure, i.e. whereby employees of the Authority can, in strict confidence, raise any concerns that they might have regarding possible irregularities in financial reporting or other matters directly with the Chairperson of the Audit Committee;
- introduced formal procedures for addressing any instances in which Board members have a concern that cannot be resolved, the registering of such concerns and the bringing of such concerns to the Board's attention;
- effected certain amendments to the Authority's Codes of Conduct for directors and employees (to include references therein to the requirement for each member of the Board and each person holding a designated position of employment with the Authority to ensure his/her compliance with relevant provisions of the Ethics in Public Office Act, 1995 and the Standards in Public Office Act, 2001). The Codes of Conduct are available on the Authority's website;
- adopted requirements regarding the disclosure of interests by directors;
- 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; and
- adopted a policy whereby the Authority shall comply with all Department of Finance circulars regarding travel and subsistence (requirements in this regard were previously reflected in the Authority's internal financial procedures and the adoption of the above policy was merely to reflect the Code's requirements).

1.5. UK Code on Corporate Governance ('UK Code') and the Irish Corporate Governance Annex to the UK Code as promulgated by the Irish Stock Exchange ('Irish Annex')

The Board has, with effect from 20 December, 2011, resolved to adopt the UK Code and Irish Annex thereto to the extent practicable and applicable to a statutory body. This topic is dealt with in further detail in the Chairperson's Statement and Corporate Governance Statement respectively.

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

2.1. Customer Charter

The Authority's Customer Charter[98] provides information on:

- the standards of service that stakeholders can expect from the Authority (relating to, amongst other things, timely responses, courtesy and respect) and to which the Authority is committed;
- how to make a complaint regarding the level of service received from the Authority;
- the applicability of the Charter to internal customers; and
- what the Authority expects in return from its stakeholders, for example, to be treated with courtesy and respect.

[97] A copy of the Authority's Codes of Conduct can be accessed on the Authority's website at www.iaasa.ie/about/business_codes.htm
[98] A copy of the Authority's Customer Charter can be accessed on the Authority's website at www.iaasa.ie/about/Customer_Charter.pdf

2.2. Website and regular updates to website registrants

The Authority maintains a website, www.iaasa.ie[99], on which members of the public can access:

- details of the Authority's statutory remit, including the Authority's principal statutory functions and powers;
- all primary and secondary legislation relating to the Authority, including relevant EU Directives, Regulations and Recommendations (as well as all of the Companies Acts);
- all of the Authority's publications, including reports, consultations and presentations made by Authority representatives;
- third party publications likely to be of interest to website users;
- details of employment opportunities within the Authority as arising;
- a 'Frequently Asked Questions' section, which includes details of how to lodge a complaint with the Authority (for example, relating to a PAB or to an issuer's periodic financial reporting);
- directors' and employees' Codes of Conduct, and the Authority's Customer Charter;
- links to other websites of relevance to the Authority's remit or otherwise likely to be of interest to website users, including links to the websites of:
  - the PABs;
  - member bodies of the Authority;
  - other EU audit oversight bodies;
  - other EU financial reporting enforcement bodies;
  - auditing, ethical and accounting standard setters, both UK/Irish and international;
  - EU and international representative bodies for the accountancy profession;
  - links to other relevant bodies/agencies; and
- company particulars, as required by S.I. No. 49 of 2007 (European Communities (Companies) (Amendment) Regulations, 2007).

In addition to the foregoing, the Authority's website also provides regular news updates to users. This latter feature is accompanied by a service whereby website users can register for email updates, which are issued to accompany the uploading of news items to the website.

2.3. Queries received

The Authority welcomes queries from members of the public and, to the extent practicable, endeavours to assist querists to the fullest extent possible, subject to the *caveat* that the Authority is unable to provide advice to members of the public.

The Authority received a total of 282 queries from members of the public during the year, 132 relating to its remit over the PABs, 37 relating to its financial reporting supervisory role and 113 of a general nature. Details of the nature of queries received during the year are analysed in the Table below.

[99] The Authority's website is also accessible at www.iaasa.ie.

Table 28: Nature of queries received – 2011

	2011	2010
Queries relating to the auditing and accountancy profession		
Relating to PABs or individual accountants/auditors	18	23
Regarding the Authority's role or the Authority's and the PABs' respective roles	14	30
Regarding how to lodge a complaint with the Authority and/or a PAB	23	23
Regarding third country audit registration	17	38
Regarding the provisions of the Statutory Audit Directive	60	44
Queries relating to financial reporting		
Relating to the provisions of the Transparency Regulations	13	8
Relating to the provisions of IFRS	9	11
Relating to other financial reporting issues	15	13
Queries of a general nature		
Regarding the Act and/or the Companies Acts generally	101	55
Miscellaneous	5	1
Relating to the functions of other regulatory bodies	7	5
Total	**282**	**251**

2.4. Consultation & feedback

In the case of major policy decisions or where the Authority otherwise wishes to obtain interested parties' views, the Authority generally communicates with relevant parties by means of Consultation Papers. Where appropriate, the publication of Consultation Papers is generally advertised in the national press and placed on the Authority's website with a view to gaining maximum stakeholder interest and participation. In the context of consultations of a more specialised nature, the Authority seeks the views of specific interested parties by communicating with them directly. During the year, the Authority engaged in a small number of consultations of a specialised nature (regarding proposed amendments of the Authority's Section 23 and 24 Regulations respectively to ensure, *inter alia,* the conformity of those Regulations with the Statutory Audit Directive Regulations) directly with the Prescribed Accountancy Bodies.

Following the completion of consultation processes, the Authority generally (particularly in respect of complex issues) publishes feedback for the purpose of providing summary details of respondents' views on certain key issues, together with details of whether the Authority has accepted comments/proposed amendments etc. and, where this is not the case, the Authority's reasons for not so doing.

2.5. Prescribed Accountancy Bodies' Contact Group

In addition to engaging with the PABs bilaterally on a regular and ongoing basis, the Authority has also established a standing Contact Group, which provides a forum for the Authority and the nine PABs to meet during the year to discuss matters of interest to all concerned and to share perspectives on topical issues. The Authority hosted its Annual Contact Group meeting on 19 December, 2011. In addition to the foregoing, the 2010 Contact Group meeting, which had been postponed from 1 December, 2010 (owing to inclement weather conditions), took place on 8 March, 2011.

2.6. Provision of responses to Parliamentary Questions

The parliamentary procedure of tabling Parliamentary Questions ('PQs') is one whereby Deputies[100] have an opportunity to table questions to Ministers on matters of relevance to Ministers' portfolios. PQs can be tabled for written or oral response by Ministers.

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

During the year the Authority received five requests for PQ response material from the Department of Jobs, Enterprise & Innovation, four of which related to staff remuneration, and one to ICT infrastructure.

2.7. Staff training and development

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

- undertaking continuing professional development in the context of their memberships of the accountancy and legal professions respectively; and
- undergoing training in other areas of relevance to the administration and management of the Authority, including in the areas of:
  - governance and risk management;
  - ethics and disciplinary legal updates;
  - pensions' administration;
  - taxation; and
  - EU law.

3. Corporate Governance Statement

3.1. Introduction

The Board is committed to operating and maintaining the highest standards of corporate governance and to ensuring compliance with the Authority's various legal and other obligations. As a body established under statute, the Authority is subject to the provisions of the Code of Practice for the Governance of State Bodies ('the Code'), as issued by the Department of Finance. The Code sets out the principles of corporate governance applicable to State bodies and with which those bodies are expected to comply. The Authority's directors and senior management are also subject to the provisions of the Ethics in Public Office Acts, which require, amongst other things, the annual disclosure of any interests that could materially influence them in relation to the performance of their official functions.

3.2. UK Code and Irish Annex

During the year, and following a review of the Authority's extant governance arrangements, the Board resolved to voluntarily adopt the UK Code on Corporate Governance ('UK Code') and the Irish Corporate Governance Annex to the UK Code as promulgated by the Irish Stock Exchange ('Irish Annex') insofar as practicable and appropriate to a statutory body.

Many of the provisions of the UK Code and the Irish Annex are not applicable to a body such as the Authority having regard to its corporate status (i.e. as a company limited by guarantee as opposed to limited by shares) and the legislative provisions governing its establishment and on-going governance arrangements. In the timescale available to the Authority it was not possible to comply with all of the relevant aspects of the UK Code and the Irish Annex in 2011 (as identified in summary form hereunder) and the Board intends to seek to comply, to the extent practicable, with all relevant aspects in 2012 and thereafter.

In the context of the foregoing, aspects of the UK Code and Irish Annex respectively with which the Authority is currently in compliance with include, amongst others:

[100] Members of Dáil Eireann, which is the lower House of the Irish Parliament.

- sufficiency of frequency of Board meetings;
- Schedule of Matters Reserved to the Board;
- clear written distinction between, and documentation of, the respective roles of Chairperson and Chief Executive;
- directors' and officers' insurance;
- directors' responsibility for the financial statements and annual report;
- procedure for recording directors' unresolved concerns;
- new directors' induction procedures;
- directors' access to the Secretary;
- directors' access to independent professional advice;
- the provision of adequate resources to Board Committees;
- annual review of the effectiveness of Authority's risk management and internal control[101] systems;
- the provisions regarding Audit Committees, risk management and internal audit; and
- whistleblowing arrangements.

As alluded to above, certain of the provisions of the UK Code and Irish Annex respectively are not applicable to the Authority's circumstances by virtue of its status as a independent public sector entity established under statute which operates through a company limited by guarantee. Similarly, in certain instances the Authority did not comply with provisions of the Code and Annex during the year. Set out in the Table below in summary form are the principal provisions of the Code and Annex which are not applicable to the Authority or with which the Authority did not otherwise consider it practicable or appropriate to comply, together with summary explanations for the associated reasons:

[101] Covers all material controls, including financial, operational and compliance controls

Table 29: Principal provisions of the UK Code and Irish Annex with which the Authority did not comply in 2011

Provision(s)	Compliance status	Explanation
Executive directors' remuneration	Not applicable	By virtue of being a matter for the Ministers for Jobs, Enterprise & Innovation and Public Expenditure & Reform respectively, executive directors' remuneration is outside the control of the Board.
Directors' independence and terms of office	Not applicable	By virtue of the fact that directors are appointed by the Minister upon the nomination of statutorily prescribed nominating bodies, Board appointments are outside the control of the Board.
Appointment of a Senior Independent Director	Did not comply during the year	The Authority has determined having regard to its establishing legislation that it is not appropriate to appoint a Senior Independent Director.
Nomination Committee	Not applicable	By virtue of the fact that directors are appointed by the Minister upon the nomination of statutorily prescribed nominating bodies, Board appointments are outside the control of the Board.
Remuneration Committee	Not applicable	By virtue of being a matter for the Ministers for Jobs, Enterprise & Innovation and Public Expenditure & Reform respectively, executive directors' remuneration is outside the control of the Board. The Authority does not operate performance related remuneration schemes.
Interaction with shareholders	Not applicable	As a company limited by guarantee, the Authority does not have shareholders.
Appointment and reappointment of the statutory auditor	Not applicable	The Authority's establishing legislation provides that the Authority's auditor shall be the Comptroller & Auditor General. Accordingly, this is a matter that is outside the Board's control.
Size and composition of the Board	Not applicable	The size and composition of the Board is prescribed in the Authority's establishing legislation. Thereafter, by virtue of the fact that directors are appointed by the Minister upon the nomination of statutorily prescribed nominating bodies, Board appointments are outside the control of the Board.
Chairperson's meeting with non-executive directors in the absence of executive directors	Did not comply during the year	The Board intends to comply with this provision during 2012.
Evaluation of Board members' performance	Did not comply during the year	Subject to the availability of scarce resources, the Board performs periodic internal and external assessments of the performance of the Board as a collective body. The most recent evaluation was performed with the assistance of the Institute of Public Administration in 2009.
Board members' training and development needs	Not applicable	Subject to the availability of scarce resources, the Authority provides directors with specific training and development from time to time as considered necessary or otherwise appropriate.

3.3. Audit Committee

The Audit Committee met 6 times during 2011 and covered each of its responsibilities under the Audit Committee Charter[102].

As referred to in the Chairperson's Statement, during the year the Audit Committee undertook, on the Board's behalf, a review of the format and presentation of the Authority's annual financial statements and the accounting policies underpinning those financial statements. Arising from the review, the Audit Committee has recommended to the Board that the Authority change the accounting policy regarding retirement obligations. Full details on the change in accounting policy are set out in the financial statements.

Separately, the Audit Committee has reviewed the Authority's capability to seek to comply with the UK Code and Irish Annex and has recommended full adoption to the extent relevant, practicable and appropriate with effect from the Authority's 2012 Annual Report.

[102] The Audit Committee's Charter is available at www.iaasa.ie/about/AC_Charter.pdf

CHAPTER 7

Profile of the Prescribed Accountancy Bodies

CHAPTER 7

Profile of the Prescribed Accountancy Bodies

1. Introduction

The purpose of this Chapter is to provide users of this Report with an insight into:

- the scale and composition of the Authority's supervisory remit as regards the PABs;
- the scale of the PABs, both individually and collectively;
- overall trends in the PABs' membership, student numbers and profiles; and
- the nature and scale of the PABs' regulatory and monitoring activities.

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

- respective memberships (Part A of this Chapter refers);
- investigation and disciplinary activities (Part B of this Chapter refers);
- respective student populations (Part C of this Chapter refers);
- practice authorisation (Part D of this Chapter refers);
- registration of members/member firms as auditors (Part E of this Chapter refers); and
- the RABs' monitoring of registered auditor members/member firms (Part F of this Chapter refers).

The information set out in this Chapter relates to the year ended 31 December, 2011.

2. Provision of information by the Prescribed Accountancy Bodies

The Authority has relied on the PABs for the provision of this information, which was submitted as part of the Authority's annual return process. In the context of the foregoing, the Authority wishes to acknowledge the efforts made by the PABs in compiling their annual returns and their co-operation in responding to associated queries raised and clarifications requested by the Authority.

As described in Chapter 3 of this Report, the Authority's annual return process has a dual objective, i.e.:

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

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

3. Considerations regarding the comparability of data presented

In studying and analysing the data presented in this Chapter, it is important to note the inherent limitations of the underlying data provided. Differences in the structure and operations of the nine PABs, as well as in the PABs' interpretations of the information requested, may present some difficulties in making comparisons. Whilst the Authority has sought to minimise such differences through the design of its annual return templates, care is nevertheless needed in interpreting the data presented herein and direct comparison may not be appropriate or meaningful in some cases.

4. Definitions used throughout this Chapter

Certain words have been defined for the purposes of this Chapter including:

'Ireland' means the Republic of Ireland;
'Irish relevant' means complaints relating to members and students located in Ireland, firms based in Ireland and members/firms with clients based in Ireland;
'member' means an individual who has applied for and been admitted to membership of the relevant PAB;
'principal' means a partner in a member firm and includes a sole practitioner;
'Registered Auditor' means a firm or an individual that is registered to undertake statutory audits under the Irish Companies Acts; and
'student' means an individual who is registered with the relevant PAB as a student and is actively pursuing the education process with a view to admission to full membership.

5. Further information regarding the Prescribed Accountancy Bodies

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

Association of Chartered Certified Accountants (ACCA)	www.accaglobal.com
Association of International Accountants (AIA)	www.aiaworldwide.com
Chartered Institute of Management Accountants (CIMA)	www.cimaglobal.com
Chartered Institute of Public Finance and Accountancy (CIPFA)	www.cipfa.org.uk
Institute of Chartered Accountants in England and Wales (ICAEW)	www.icaew.com
Institute of Chartered Accountants in Ireland (ICAI)	www.charteredaccountants.ie
Institute of Chartered Accountants of Scotland (ICAS)	www.icas.org.uk
Institute of Certified Public Accountants in Ireland (ICPAI)	www.cpaireland.ie
Institute of Incorporated Public Accountants (IIPA)	www.iipa.ie

Part A: Membership

Admission to PAB membership

Admission to membership involves applicants satisfying various criteria, which typically include:

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

Once admitted to membership, PAB members are:

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

Members in public practice

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

Membership – Tables and Charts

- During 2011, there has been a 3% increase in the membership of the nine PABs both in Ireland and worldwide (Tables A.1 and A.2), with ACCA having the largest membership worldwide.
- ICAI, ICPAI and IIPA membership is predominantly based in Ireland, with the majority of CIMA, CIPFA, ICAEW and ICAS members based in the UK. 50% of ACCA members are located in the UK and Ireland, while the majority (75%) of AIA members are located outside of the EU (Chart A.2).
- Four bodies dominate PAB membership in Ireland (Chart A.1):
  - ICAI (45.0%);
  - ACCA (27.3%);
  - CIMA (13.2%); and
  - ICPAI (11.5%).
- 40% of PAB members located in Ireland are female, compared with 39% in 2010 (Chart A.4). While Chart A.5 shows that males comprise the majority gender in all nine bodies, the numbers of female members have been rising over the past number of years and readers should refer to the statistics on student numbers (Part C of this Chapter refers) for an indication of likely future trends in membership gender profiles.
- While the majority of PAB members located in Ireland (61%) are employed in business, a significant minority (24%) are employed in practice (Chart A.6). IIPA is the only PAB with a majority of Irish based members employed in practice (Chart A.7).
- 68% of aggregate PAB membership in Ireland comprises of individuals under 45 years of age (Chart A.8). ACCA has the highest proportion of under 45s (75%), followed by ICAI (69%), ICPAI (64%) and CIMA (62%) (Chart A.9).
- Table A.2 shows the movements in membership in Ireland during 2011. Increases in membership arise, in the main, through the admission of students to membership. Decreases in membership are principally due to member resignations or exclusions. Exclusions arise mainly as a consequence of members' failure to pay subscription fees or, alternatively, as a result of disciplinary action. In the case of non-payment of subscription fees, members are usually re-admitted once payment has been made.

Table A.1: Members worldwide – location

As at 31 December	2010 TOTAL	2011 TOTAL	Recognised Accountancy Bodies						AIA	CIMA	CIPFA
			ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA			
Ireland	30,002	30,890	8,444	444	13,908	69	3,548	207	125	4,080	65
UK	278,057	285,069	66,861	117,031	4,906	16,597	96	4	1,522	64,958	13,094
Other EU Member States	15,037	15,268	8,396	4,559	400	407	39	1	184	1,205	77
Other locations	104,866	110,969	67,582	16,430	1,691	2,261	152	3	5,469	17,073	308
Total members worldwide	**427,962**	**442,196**	**151,283**	**138,464**	**20,905**	**19,334**	**3,835**	**215**	**7,300**	**87,316**	**13,544**

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

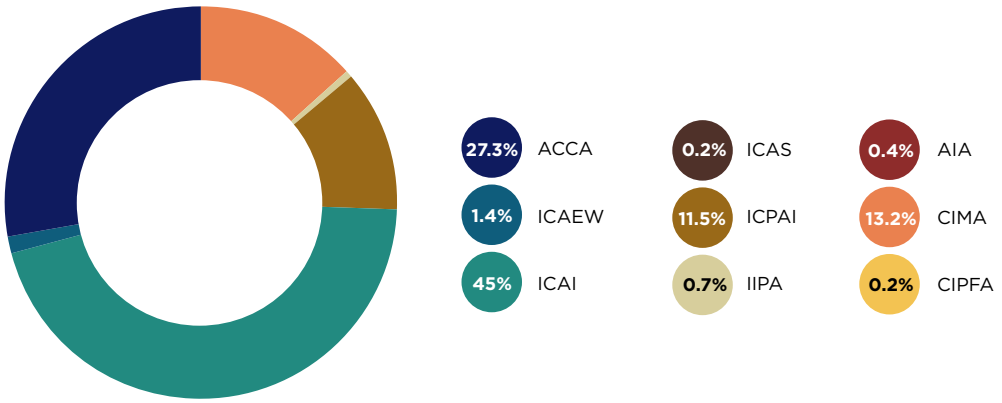


Chart A.2: Members worldwide – comparison of location

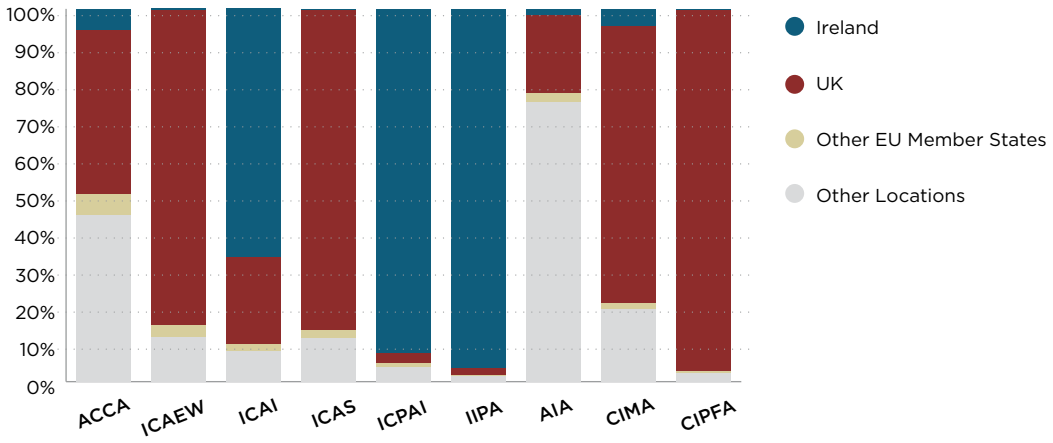


Table A.2: Members in Ireland – movement during the year

			Recognised Accountancy Bodies								
	2010 TOTAL	2011 TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Members in Ireland at 1 January	28,547	30,002	8,151	435	13,475	69	3,474	207	134	3,991	66
During the Year:											
ADD: Students admitted as members	1,861	1,314	474	3	535	-	150	3	-	149	-
Members of other bodies admitted as members	11	21	13	-	3	-	5	-	-	-	-
Other Individuals admitted as members	5	2	-	-	-	-	-	2	-	-	-
Former members re-admitted to membership	144	145	51	1	9	-	2	1	-	80	1
LESS: Members excluded from membership	(378)	(380)	(228)	(2)	(28)	-	-	-	(2)	(120)	-
Members resigning from membership	(133)	(163)	(8)	(1)	(58)	-	(67)	(6)	(4)	(17)	(2)
Members deceased	(34)	(43)	(9)	(1)	(28)	-	(1)	-	(1)	(3)	-
Other	(21)	(8)	-	9	-	-	(15)	-	(2)	-	-
Members in Ireland at 31 December	**30,002**	**30,890**	**8,444**	**444**	**13,908**	**69**	**3,548**	**207**	**125**	**4,080**	**65**

Table A.3: Members in Ireland – movement from 2009–2011

Membership In Ireland as at 31 December	2009	2010	2011
ACCA	7,722	8,151	8,444
ICAEW	434	435	444
ICAI	12,694	13,475	13,908
ICAS	65	69	69
ICPAI	3,363	3,474	3,548
IIPA	219	207	207
AIA	138	134	125
CIMA	3,846	3,991	4,080
CIPFA	66	66	65
Total	**28,547**	**30,002**	**30,890**

Note: The ICAEW figure for 'students admitted as members' in Table A.2 (3) differs to Table C2 (2) as individuals who are eligible for membership for more than 12 months are not included in the ICAEW student figures.

Note: The ICAI figure for 'students admitted as members' in Table A.2 (535) differs to Table C.2 (851) as students may complete their term as a student in Ireland but move to another location prior to admission to membership.

Chart A.3: Comparison of membership in Ireland

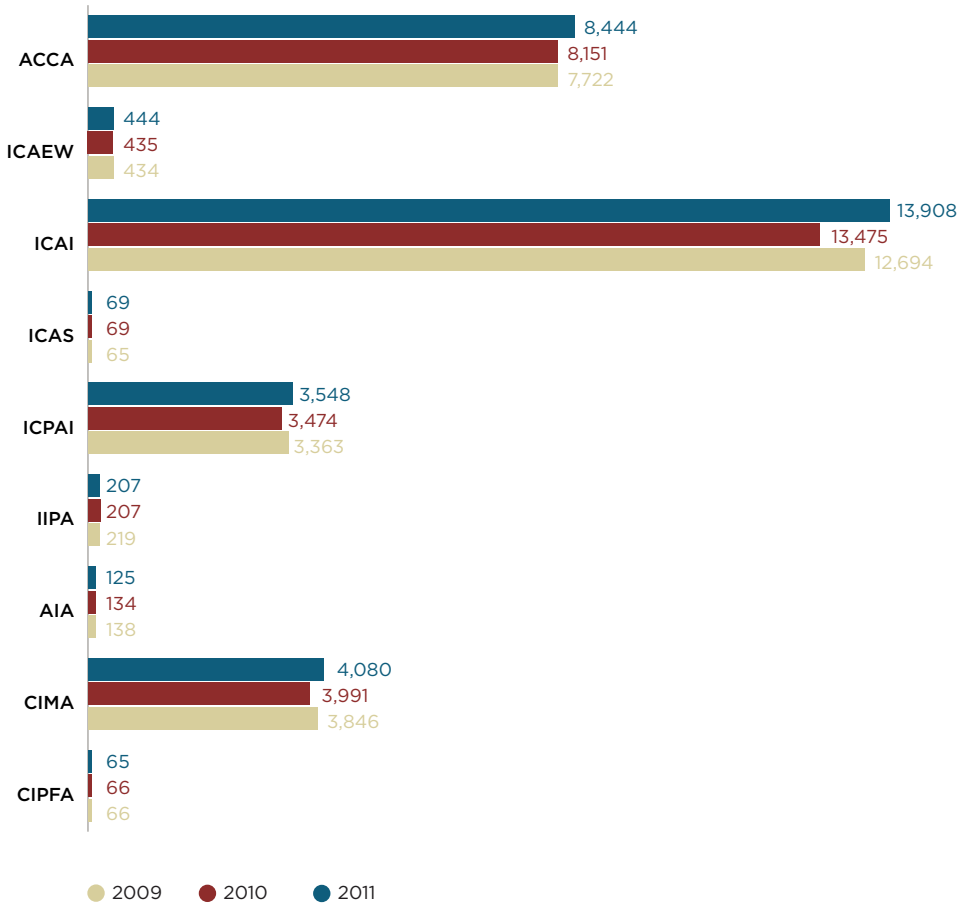


Table A.4: Members in Ireland – gender profile

			Recognised Accountancy Bodies								
As at 31 December	2010 TOTAL	2011 TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Female	11,713	12,311	3,748	105	5,279	16	1,763	13	9	1,354	24
Male	18,289	18,579	4,696	339	8,629	53	1,785	194	116	2,726	41
Total membership	**30,002**	**30,890**	**8,444**	**444**	**13,908**	**69**	**3,548**	**207**	**125**	**4,080**	**65**

Chart A.4: Members in Ireland – gender profile

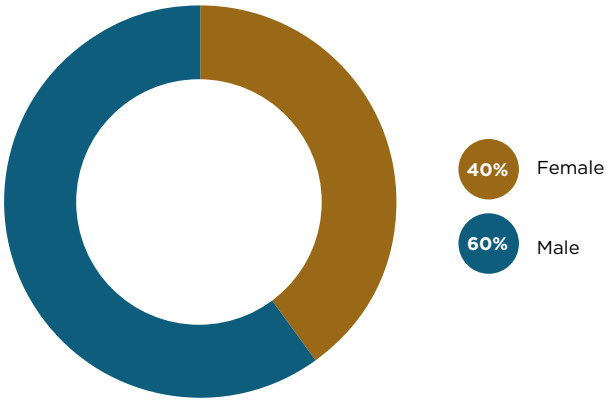


Chart A.5: Members in Ireland – comparison of gender profile

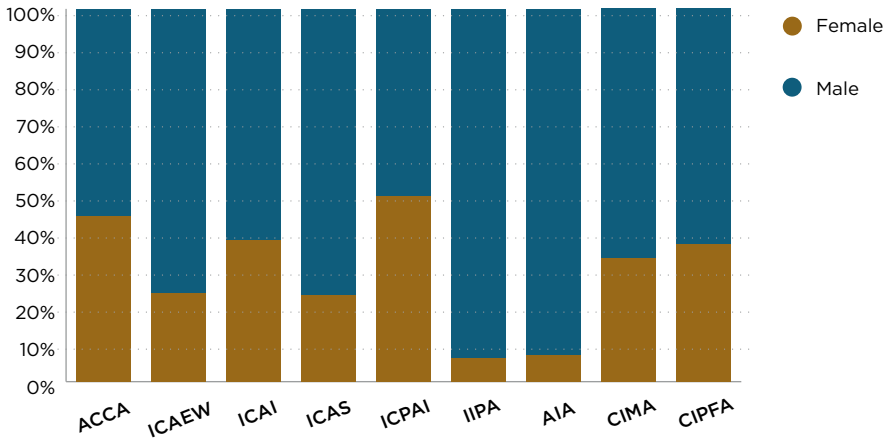


Table A.5: Members in Ireland – employment status

			Recognised Accountancy Bodies								
As at 31 December	2010 TOTAL	2011 TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Practice	7,648	7,577	1,944	107	4,091	10	1,150	184	16	74	1
Industry/Business	18,471	18,727	5,162	190	7,837	40	1,788	15	73	3,616	6
Public Sector	1,539	1,602	578	21	528	2	288	7	10	115	53
Retired	1,076	1,175	211	82	499	11	71	1	22	275	3
Other	1,268	1,809	549	44	953	6	251	-	4	-	2
Total	**30,002**	**30,890**	**8,444**	**444**	**13,908**	**69**	**3,548**	**207**	**125**	**4,080**	**65**

Chart A.6: Members in Ireland – employment status

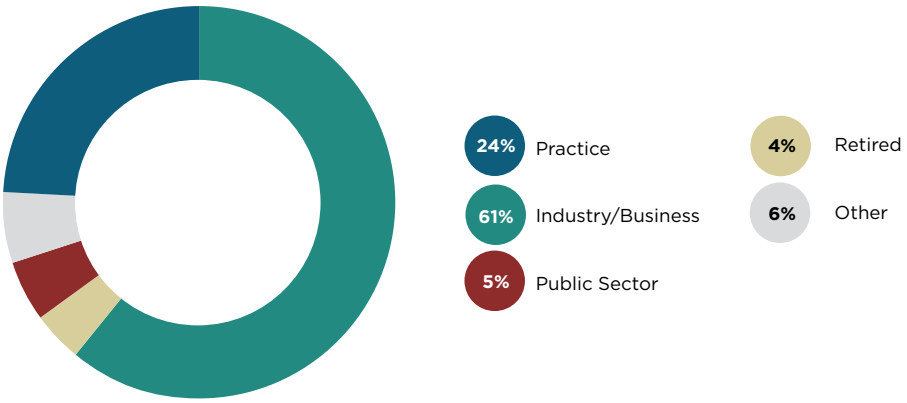


Chart A.7: Members in Ireland – comparison of employment status

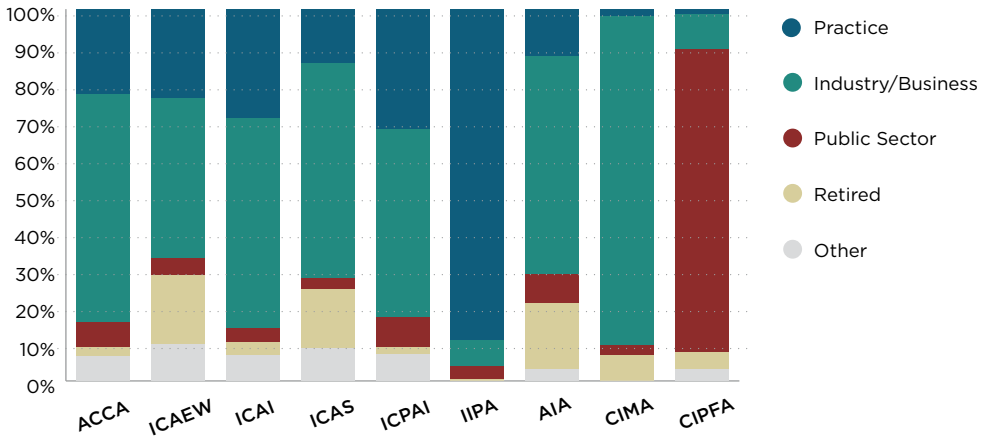


Table A.6: Members in Ireland – age profile

			Recognised Accountancy Bodies								
As at 31 December	2010 TOTAL	2011 TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
< 25	105	92	33		43	-	14	-	-	2	-
25–34	10,037	9,599	2,542	44	5,404	14	947	19	7	621	1
35–44	10,768	11,283	3,725	143	4,101	21	1,306	42	12	1,917	16
45–54	5,055	5,583	1,421	91	2,233	14	878	37	20	861	28
55–64	2,577	2,694	483	79	1,295	11	335	74	49	353	15
65+	1,459	1,637	240	87	832	9	68	35	37	326	3
Date of birth not available	1	2	-	-	-	-	-	-	-	-	2
Total	**30,002**	**30,890**	**8,444**	**444**	**13,908**	**69**	**3,548**	**207**	**125**	**4,080**	**65**

Chart A.8: Members in Ireland – age profile

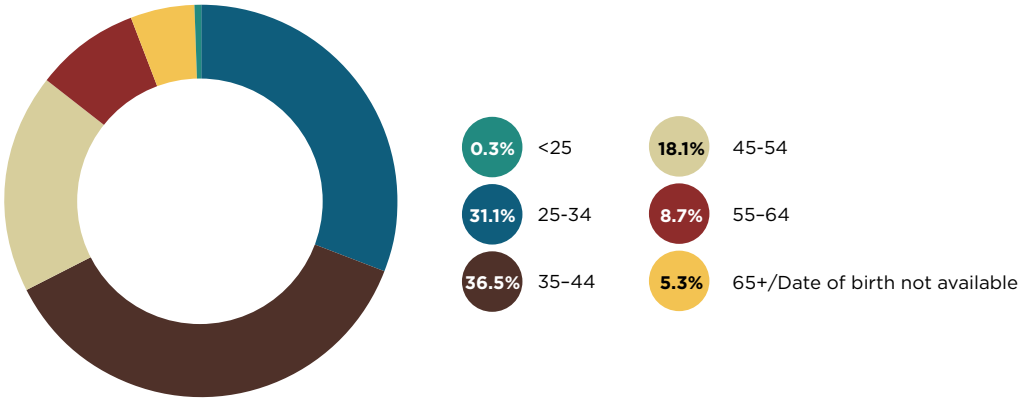
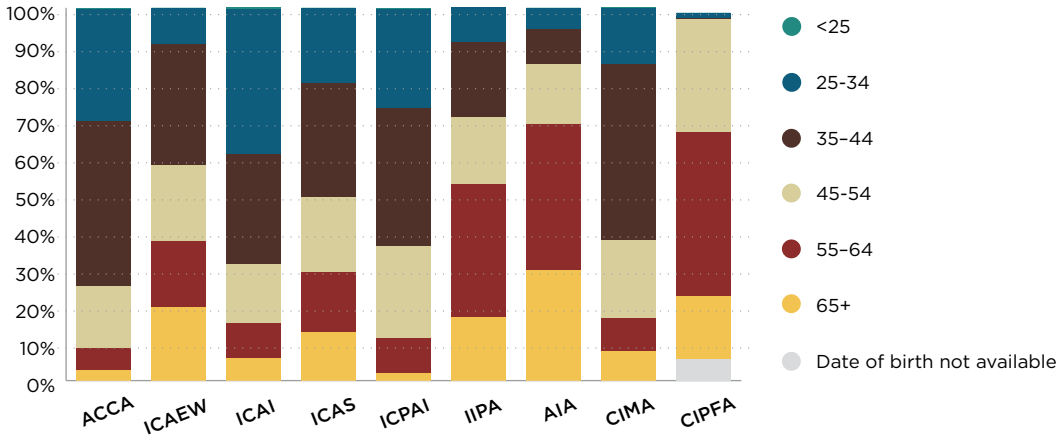


Chart A.9: Members in Ireland – comparison of age profile



Part B: PABs' investigation and disciplinary activities

Role of the Authority

As outlined in the Authority's previous Annual Reports, under the model of supervised self regulation provided for by the Act, responsibility for the investigation of complaints[103] relating to the PABs' members and member firms resides, in the first instance, with those bodies, which are required to process same in accordance with investigation and disciplinary procedures approved by the Authority. Rather than being to supplant the PABs' responsibility to investigate complaints received in respect of their members/ member firms, the Authority's role is to supervise the manner in which the PABs' complaints, investigations, disciplinary and appeals processes operate. However, notwithstanding the foregoing, following the receipt of a complaint or otherwise on its own initiative, the Authority is empowered to initiate Enquiries into whether a PAB has complied with its approved procedures under section 23 of the Act. Further details concerning such Enquiries are provided in Chapter 3 of this Report.

PABs' investigation and disciplinary processes

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

When a member of the public makes a complaint to a PAB, or where relevant information comes to the attention of a PAB, concerning the conduct or competence of a member/member firm, the recipient body typically has a number of initial options available to it, including investigation by a Committee[104] (or regulatory assessor in the case of ACCA) or resolution by conciliation[105] or other means provided for under its approved investigation and disciplinary procedures. In cases where a judgement is formed, by either the Investigation Committee or the regulatory assessor, that there is a *prima facie*[106] case against the member, the member may either be referred to the formal disciplinary process (typically to a Disciplinary Committee/ Tribunal) or be offered a Consent Order[107].

PABs' investigation and disciplinary activities – Tables and Charts

The Tables and Charts in this part provide the following information:

- Tables B.1 and B.2[108] detail movements in the number of complaints processed by each PAB during 2011, including the number of new cases arising, the number of cases closed and the stage of the investigation and disciplinary process at which such complaints were closed;
- Tables B.3 and B.4[108] analyse the nature of the complaints received by each PAB during 2011;
- Table B.5 outlines the sanctions that each PAB may impose in the case of complaints found to have been proven. It should be noted that this Table refers only to sanctions available as part of the investigation and disciplinary process, and does not include sanctions that may be imposed by other committees which operate outside the

[103] The term 'complaint' includes any expression of dissatisfaction with accounting related services, whether communicated to a PAB by a member of the public or otherwise.

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

[105] It is worth noting that conciliation processes typically require the complaint to be resolved to the mutual satisfaction of all parties and is usually only permitted in relation to minor matters. Additionally, it should be noted that not all of the PABs' processes and procedures provide for a complaint conciliation process.

[106] On the face of it.

[107] A Consent Order is a process whereby a member admits to the findings of the Investigation Committee and consents to the imposition of sanctions. Not all PABs' processes and procedures provide for a Consent Order process.

[108] Tables B.1, B.3 and B.6 provide detail regarding Irish relevant complaints whereas Tables B.2, B.4 and B.7 provide detail regarding complaints relevant to Registered Auditors.

investigation and disciplinary process (such as Registration Committees and Quality Assurance Committees, howsoever called). The nature of the sanction(s) imposed on a member will depend on the particular facts of any case, including, for example, the seriousness of the wrongdoing found to have occurred. Where a Disciplinary Tribunal makes a finding against a member, the member typically has a right of appeal to an Appeal Committee/Tribunal; and

- Tables B.6 and B.7[108] provide an analysis of the sanctions imposed during the year in the case of complaints found to have been proven. As can be seen from those Tables, the sanctions most commonly imposed are reprimands, fines and the imposition of costs.

Table B.1: Summary of complaints – Irish relevant

		Recognised Accountancy Bodies								
Year to 31 December, 2011	**TOTAL**	**ACCA**	**ICAEW**	**ICAI**	**ICAS**	**ICPAI**	**IIPA**	**AIA**	**CIMA**	**CIPFA**
Complaints outstanding at 1 January, 2011	305	180	-	82	-	20	22	-	1	-
During the year:										
ADD: New cases arising during the year	209	94	-	86	-	22	5	-	2	-
LESS: Cases closed during the year by:										
- Conciliation	(29)	(29)	-	-	-	-	-	-	-	-
- Secretary/Staff	(59)	(40)	-	(13)	-	(5)	(1)	-	-	-
- Assessor	(2)	(2)	-	-	-	-	-	-	-	-
- Investigation/Complaints Committee	(72)	-	-	(53)	-	(13)	(6)	-	-	-
- Disciplinary Committee	(19)	(11)	-	(4)	-	(3)	-	-	(1)	-
- Appeal Committee	(4)	(1)	-	-	-	(3)	-	-	-	-
- Other	(9)	(4)	-	(5)	-	-	-	-	-	-
Complaints outstanding at 31 December, 2011	**320**	**187**	**-**	**93**	**-**	**18**	**20**	**-**	**2**	**-**

Note : The ICPAI figure for complaints outstanding at 1 January, 2011 was amended (12 per the 2010 Annual Report) due to a clerical error in the 2010 annual return submitted by the Institute.

Note : The IIPA figure for complaints outstanding at 1 January, 2011 was amended (5 per the 2010 Annual Report) due to the misclassification of cases as closed by secretary/staff in previous returns submitted to the Authority. These cases have been reclassified as "outstanding", in compliance with the IIPA's bye-laws.

Table B.2: Summary of complaints – Registered Auditors

		Recognised Accountancy Bodies					
Year to 31 December, 2011	**TOTAL**	**ACCA**	**ICAEW**	**ICAI**	**ICAS**	**ICPAI**	**IIPA**
Complaints outstanding at 1 January, 2011	316	136	78	63	-	17	22
During the year:							
ADD: New cases arising during the year	232	67	85	58	-	17	5
LESS: Cases closed during the year by:							
- Conciliation	(20)	(20)	-	-	-	-	-
- Secretary/Staff	(40)	(12)	(18)	(5)	-	(4)	(1)
- Assessor	(1)	(1)	-	-	-	-	-
- Investigation/Complaints Committee	(121)	-	(56)	(47)	-	(12)	(6)
- Disciplinary Committee	(27)	(7)	(15)	(4)	-	(1)	-
- Appeal Committee	(3)	-	-	-	-	(3)	-
- Other	(7)	(2)	-	(2)	-	-	(3)
Complaints outstanding at 31 December, 2011	**329**	**161**	**74**	**63**	**-**	**14**	**17**

Table B.3: Nature of complaints received – Irish relevant

	Recognised Accountancy Bodies								
Year to 31 December, 2011	**ACCA**	**ICAEW**	**ICAI**	**ICAS**	**ICPAI**	**IIPA**	**AIA**	**CIMA**	**CIPFA**
Poor work or unsatisfactory professional service or conduct	30	-	15	-	-	-	-	1	-
Loss/withholding of client records	3	-	1	-	-	-	-	-	-
Fee disputes	2	-	2	-	-	-	-	-	-
Delay/failure to respond and/or co-operate with the Institute/Association or an external party	5	-	9	-	-	1	-	-	-
Failure to report to a Regulator	-	-	1	-	4	-	-	-	-
Criminal conviction/civil proceedings	1	-	-	-	-	-	-	-	-
Carrying on public practice or audit while not authorised	5	-	10	-	2	-	-	-	-
Execution of an audit report by non-RI (Responsible Individual)	-	-	2	-	2	2	-	-	-
Other breach of company law/restriction or disqualification as a director/failure to satisfy judgement debt	-	-	7	-	2	1	-	-	-
Other audit related matters	16	-	11	-	4	-	-	-	-
Professional appointment related	-	-	2	-	-	-	-	-	-
Breach of Code of Ethics	17	-	13	-	10	-	-	-	-
Breach of Institute/Association Rules or Regulations (such as in relation to client monies, professional indemnity insurance)	-	-	2	-	-	1	-	-	-
Matters relating to insolvency work or conduct of a liquidation	13	-	8	-	-	-	-	-	-
Matters relating to investment business	1	-	2	-	-	-	-	-	-
Tax work	-	-	2	-	-	-	-	-	-
Training/student related matters	1	-	1	-	-	-	-	1	-
Other	-	-	1	-	-	-	-	-	-

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

Table B.4: Nature of complaints received – Registered Auditors

	Recognised Accountancy Bodies					
Year to 31 December, 2011	**ACCA**	**ICAEW**	**ICAI**	**ICAS**	**ICPAI**	**IIPA**
Poor work or unsatisfactory professional service or conduct	23	13	15	-	-	-
Loss/withholding of client records	2	-	1	-	-	-
Fee disputes	2	-	2	-	-	-
Delay/failure to respond and/or co-operate with the Institute/ Association or an external party	5	10	7	-	-	1
Failure to report to a Regulator	-	-	-	-	4	-
Criminal conviction/civil Proceedings	1	-	-	-	-	-
Carrying on public practice or audit while not authorised	-	5	3	-	-	-
Execution of an audit report by non-RI (Responsible Individual)	-	5	-	-	-	2
Other breach of company law/restriction or disqualification as a director/failure to satisfy judgement debt	-	8	4	-	1	1
Other audit related matters	14	19	13	-	4	-
Professional appointment related	-	6	1	-	-	-
Breach of Code of Ethics	7	11	7	-	8	-
Breach of Institute/Association Rules or Regulations (such as in relation to client monies, professional indemnity insurance)	-	1	1	-	-	1
Matters relating to insolvency work or conduct of a liquidation	12	6	3	-	-	-
Matters relating to investment business	1	1	2	-	-	-
Tax work	-	-	1	-	-	-
Training/student related matters	-	-	-	-	-	-
Other	-	-	-	-	-	-

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

Table B.5: Disciplinary sanctions available

	Recognised Accountancy Bodies								
Year to 31 December, 2011	**ACCA**	**ICAEW**	**ICAI**	**ICAS**	**ICPAI**	**IIPA**	**AIA**	**CIMA**	**CIPFA**
Reprimand/severe reprimand	Y	Y	Y	Y	Y	Y	Y	Y	Y
Fine	Y	Y	Y	Y	Y	Y	Y	Y	Y
Costs	Y	Y	Y	Y	Y	Y	Y	Y	Y
Exclusion from membership	Y	Y	Y	Y	Y	Y	Y	Y	Y
Suspension from membership	N	N	Y	Y	Y	Y	Y	N	Y
Suspension of audit authorisation	Y	Y	N	Y	Y	Y	N/A	N/A	N/A
Withdrawal of audit authorisation	N	Y	Y	Y	Y	Y	N/A	N/A	N/A
Suspension of other authorisation	Y	Y	N	Y	Y	Y	Y	N/A	Y
Withdrawal of other authorisation	N	Y	Y	Y	Y	Y	Y	Y	Y
Attach conditions to an authorisation	Y	Y	N	Y	Y	Y	Y	Y	N
Ineligible for an authorisation for period of time	N	N	Y	Y	Y	Y	Y	N	N
Direct member to reimburse complainant for expenses incurred in connection with the complaint	Y	Y	N	N	N	Y	N	N	Y
Direct member to refund fees/commission to complainant	Y	Y	N	N	N	Y	N	N	Y
Direct member to pay compensation to complainant	Y	N	N	N	N	Y	N	N	Y
Rest on file/similar sanction	Y	N	Y	N	Y	N	Y	N	Y
Proven but no penalty/similar sanction	Y	Y	Y	Y	Y	Y	Y	Y	Y
Publication of findings, including member's name	Y	Y	Y	Y	Y	Y	Y	Y	Y
Other	Y	N	N	Y	N	Y	N/A	Y	N

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

Note: The sanction of 'Rest on file' is typically reserved for situations where it is concluded that the member is liable to disciplinary action but no immediate action is warranted. Details of the issue are placed on the member's file and may subsequently be taken into account should other issues come to the PAB's attention that would render that member liable to disciplinary actions.

Table B.6: Analysis of sanctions imposed – Irish relevant

	Recognised Accountancy Bodies								
Year to 31 December, 2011	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Reprimands/severe reprimands imposed	2	-	17	-	8	-	-	1	-
Cases where fines were imposed	-	-	12	-	8	-	-	-	-
Aggregate value of fines imposed	-	-	€27,775	-	€46,000	-	-	-	-
Maximum fine imposed in a single case	-	-	€5,000	-	€15,000	-	-	-	-
Cases where costs were imposed	10	-	16	-	7	-	-	1	-
Aggregate value of costs imposed	£20,784.50	-	€38,473	-	€34,500	-	-	£5,623	-
Maximum costs imposed in a single case	£11,903	-	€10,148	-	€10,000	-	-	£5,623	-
Member exclusions applied	6	-	-	-	-	-	-	-	-
Member suspensions applied	-	-	-	-	-	-	-	-	-
Suspensions of audit authorisation applied	-	-	-	-	-	-	-	-	-
Suspensions of other authorisation applied	-	-	-	-	-	-	-	-	-
Withdrawals of audit authorisation applied	-	-	-	-	-	-	-	-	-
Cases where conditions were attached to authorisation	-	-	-	-	2	-	-	-	-
Refund of fees/commissions	-	-	-	-	-	-	-	-	-
Ineligible for an authorisation for period of time	-	-	-	-	1	-	-	-	-
Directions to pay compensation to complainant	-	-	-	-	-	-	-	-	-
Aggregate value of compensation awarded to complainants	-	-	-	-	-	-	-	-	-
Cases resting on file/similar	-	-	-	-	2	-	-	-	-
Cases proven but no penalty or similar	1	-	1	-	-	-	-	-	-
Student exclusions/ suspensions applied	3	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Consent orders offered during the year	-	-	12	-	3	-	-	-	-
Consent orders accepted during the year	-	-	12	-	3	-	-	-	-
Cases where the Committee decision was published	10	-	16	-	8	-	-	1	-
Cases where the decision was published, and the member identified in the publication	10	-	10	-	4	-	-	1	-

Table B.7: Analysis of sanctions imposed – Registered Auditors

	Recognised Accountancy Bodies					
Year to 31 December, 2011	**ACCA**	**ICAEW**	**ICAI**	**ICAS**	**ICPAI**	**IIPA**
Reprimands/severe reprimands imposed	2	51	14	-	5	-
Cases where fines were imposed	-	47	12	-	5	-
Aggregate value of fines imposed	-	£203,000	€25,950	-	€28,000	-
Maximum fine imposed in a single case	-	£40,000	€5,000	-	€15,000	-
Cases where costs were imposed	4	58	16	-	5	-
Aggregate value of costs imposed	£15,851.50	£122,881	€49,275	-	€21,000	-
Maximum costs imposed in a single case	£11,903	£10,055	€10,148	-	€15,000	-
Member exclusions applied	4	4	-	-	-	-
Member suspensions applied	-	-	2	-	-	-
Suspensions of audit authorisation applied	-	-	-	-	-	-
Withdrawals of audit authorisation applied	-	24	-	-	-	-
Cases where conditions were attached to authorisation	-	61	-	-	2	-
Ineligible for an authorisation for period of time	-	-	-	-	1	-
Refunds of fees/commissions applied	-	-	-	-	-	-
Directions to pay compensation to complainant	-	-	-	-	-	-
Aggregate value of compensation awarded to complainant	-	-	-	-	-	-
Cases resting on file/similar	-	-	-	-	2	-
Cases proven but no penalty or similar	1	10	-	-	-	-
Other	-		-	-	-	-
Consent orders offered during the year	-	40	10	-	2	-
Consent orders accepted during the year	-	45	10	-	2	-
Cases where the Committee decision was published	4	100	16	-	5	-
Cases where the decision was published, and the member identified in the publication	4	100	11	-	3	-

Part C: Student population

Student membership

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

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

Student population – Tables and Charts

- While there was no material change in total worldwide student numbers, there was a 2% decrease in total student numbers in Ireland in 2011 (Table C.1).
- As with membership, ICAI, ICPAI and IIPA students are predominantly based in Ireland, with the majority of students in CIPFA, ICAEW and ICAS based in the UK. 51% of CIMA students are located in Ireland and the UK, while a majority of ACCA and AIA students (69% and 97% respectively) are located outside the EU (Chart C.2).
- Four bodies dominate the student market in Ireland – ACCA students comprise almost 50% of all PAB students in Ireland, followed by ICAI (31%), CIMA (13%) and ICPAI (6%) (Table C.2). ICAEW, IIPA, AIA and CIPFA have very small student populations in Ireland, collectively comprising less than 1% of the market. ICAS does not currently have any students located in Ireland.
- In contrast to the membership statistics (Part A of this Chapter refers), almost 50% of PAB students are female (Table C.4). On an individual basis, Chart C.5 shows that ACCA, ICAI, ICPAI and CIPFA all have a majority female student population.
- In Ireland, employment in business is the largest employment sector for PAB students at 45%, followed by practice at 37% (Chart C.6).
- Chart C.7 shows that ICAI students are employed predominantly in practice, while business is the largest employer for students of ACCA, ICPAI, IIPA and CIMA.
- The majority of PAB students (58%) are between 25 and 34 years of age (Chart C.8), while there is a significant minority of the ICAI's student population (40%) under 25 (Chart C.9).
- During 2011, 78% of all newly registered students held a degree or post-graduate qualification (Chart C.10). On an individual basis, ICAI has the highest proportion of students with a relevant degree or post-graduate qualification at 88% (Table C.7).
- There has been a 5% decrease in the number of students who registered for the first time in 2011 compared with 2010 (Table C.8) and a 19% decrease during the 2009–2011 period.
- Of the 3,028 new students registered during the year (Table C.8), ACCA and ICAI students comprise approximately 39% each, CIMA 15% and ICPAI 7%, with the other PABs accounting for less than 1%.

Table C.1: Students worldwide – location

			Recognised Accountancy Bodies								
As at 31 December	2010 TOTAL	2011 TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Ireland	17,227	16,835	8,347	4	5,183	-	1,021	78	4	2,195	3
UK	156,274	154,337	80,123	15,010	1,166	2,994	8	1	151	52,450	2,434
Other EU Member States	23,655	24,128	20,078	885	3	30	3	-	87	3,036	6
Other locations	298,365	301,224	240,777	3,174	9	-	37	-	8,189	48,931	107
Total students worldwide	**495,521**	**496,524**	**349,325**	**19,073**	**6,361**	**3,024**	**1,069**	**79**	**8,431**	**106,612**	**2,550**

Chart C.1: Students worldwide – location

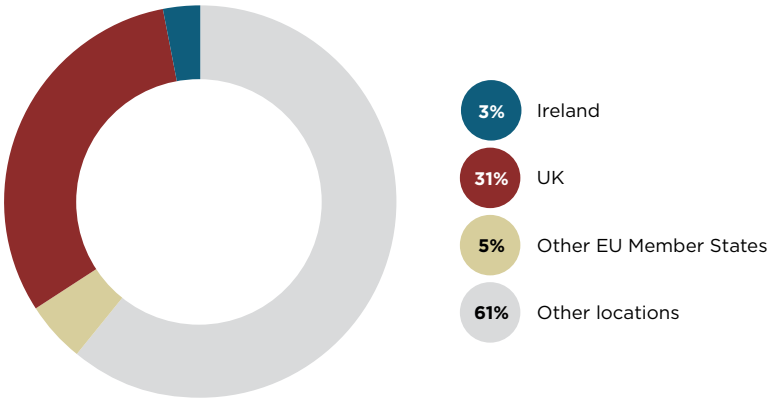


Chart C.2: Students worldwide – comparison of location

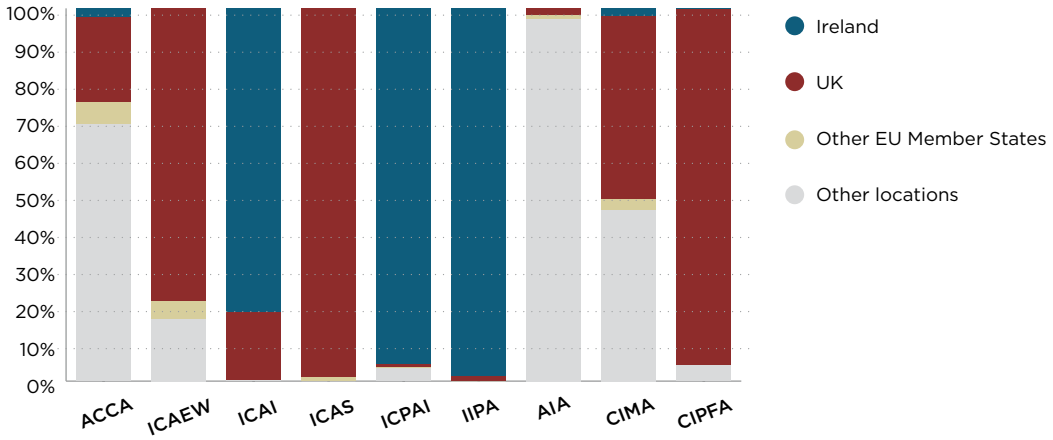


Table C.2: Students in Ireland – movement during the year

			Recognised Accountancy Bodies								
	2010 TOTAL	2011 TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Students in Ireland at 1 January	18,644	17,227	9,016	5	4,682	-	1,180	74	4	2,260	6
During the year:											
ADD: New students registered	3,189	3,028	1,197	-	1,179	-	197	8	-	446	1
LESS: Lapsed student registrations	(2,303)	(1,856)	(1,252)	-	(42)	-	(206)	(1)	-	(353)	(2)
- Student registrations cancelled	(231)	(266)	(28)	-	(144)	-	-	-	-	(92)	(2)
- Students admitted as full members	(2,150)	(1,629)	(474)	(2)	(851)	-	(150)	(3)	-	(149)	-
Other	78	331	(112)	1	359	-	-	-	-	83	-
Students in Ireland at 31 December	**17,227**	**16,835**	**8,347**	**4**	**5,183**	**-**	**1,021**	**78**	**4**	**2,195**	**3**

Note: The ICAEW figure for 'students admitted as members' in Table A.2 (3) differs to Table C2 (2) as individuals who are eligible for membership for more than 12 months are not included in the ICAEW student figures.

Note: The ICAI figure for 'students admitted as members' in Table A.2 (535) differs to Table C.2 (851) as students may complete their term as a student in Ireland but move to another location prior to admission to membership.

Note: The ICAI figure of 359 for 'other' is due to a change in policy which allows students 8 years in which to complete the education process.

Table C.3: Students in Ireland – movement from 2009–2011

Student membership In Ireland as at 31 December	2009	2010	2011
ACCA	9,580	9,016	8,347
ICAEW	5	5	4
ICAI	5,098	4,682	5,183
ICAS	-	-	-
ICPAI	1,385	1,180	1,021
IIPA	164	74	78
AIA	4	4	4
CIMA	2,397	2,260	2,195
CIPFA	11	6	3
Total	**18,644**	**17,227**	**16,835**

Chart C.3: Comparison of student membership in Ireland 2009–2011

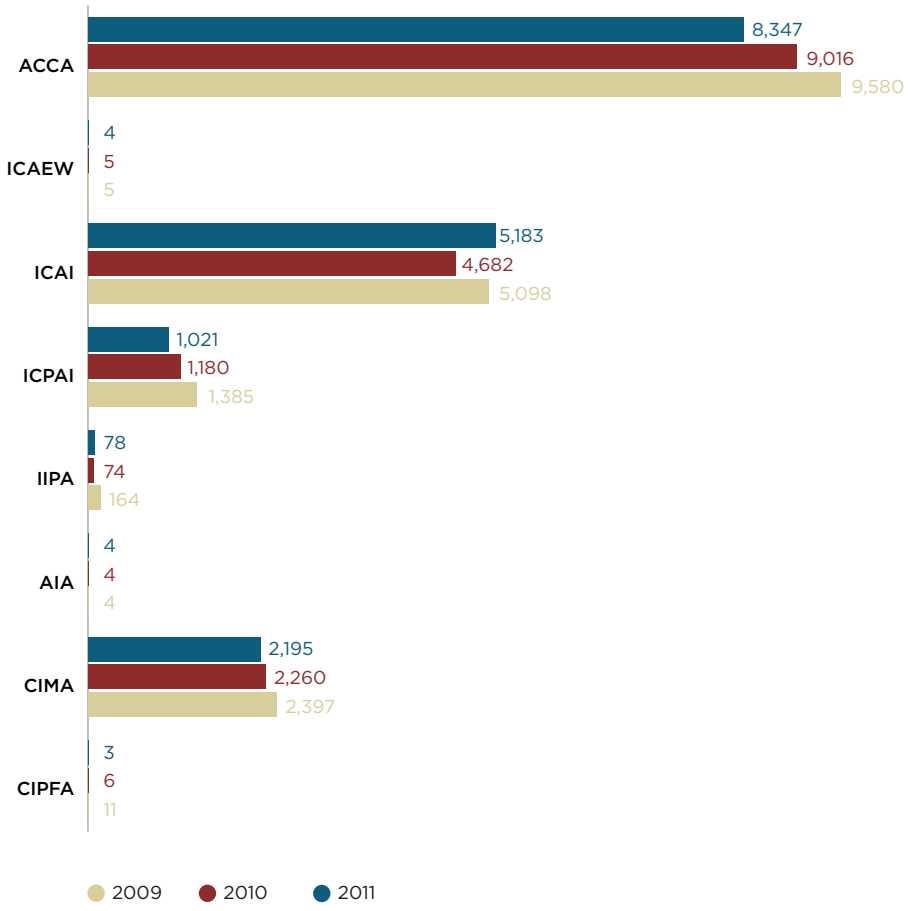


Table C.4: Students in Ireland – gender profile

			Recognised Accountancy Bodies								
As at 31 December	2010 TOTAL	2011 TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Female	9,134	8,337	4,205	1	2,598	-	636	28	1	865	3
Male	8,093	8,498	4,142	3	2,585	-	385	50	3	1,330	-
Total	**17,227**	**16,835**	**8,347**	**4**	**5,183**	**-**	**1,021**	**78**	**4**	**2,195**	**3**

Chart C.4: Students in Ireland – gender profile

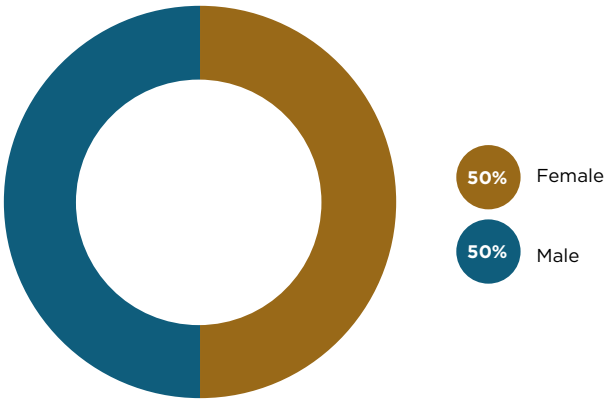


Chart C.5: Students in Ireland – comparison of gender profile

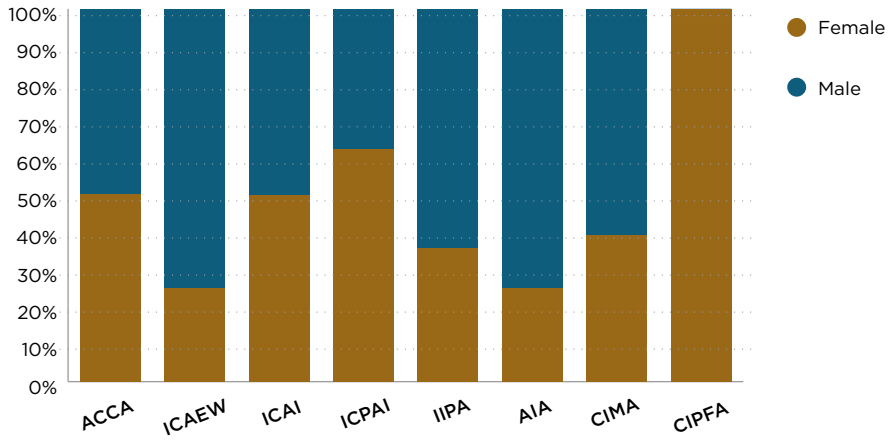


Table C.5: Students in Ireland – employment status

			Recognised Accountancy Bodies								
As at 31 December	2010 TOTAL	2011 TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Practice	6,070	6,168	1,569	-	4,379	-	183	35	2	-	-
Industry/Business	7,589	7,573	4,620	1	166	-	575	37	2	2,172	-
Public sector	766	715	604	-	14	-	67	4	-	23	3
In full-time education	625	559	556	-	-	-	2	1	-	-	-
Other	2,177	1,820	998	3	624	-	194	1	-	-	-
Total	**17,227**	**16,835**	**8,347**	**4**	**5,183**	**-**	**1,021**	**78**	**4**	**2,195**	**3**

Chart C.6: Students in Ireland – employment status

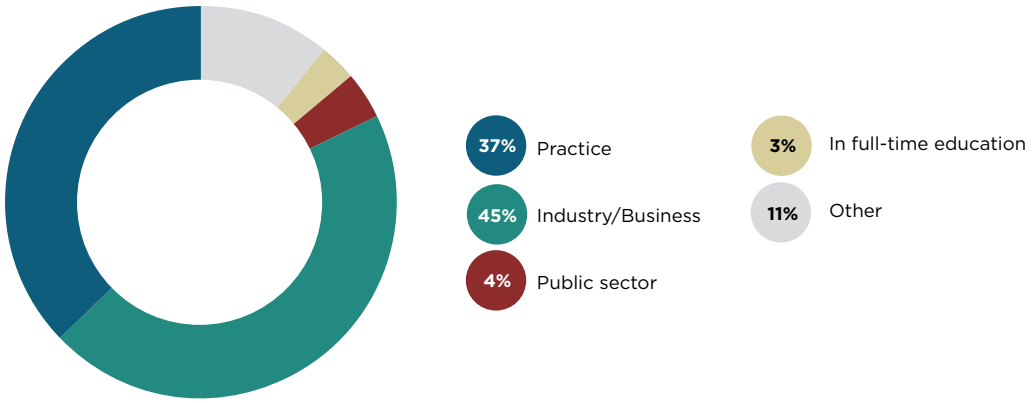


Chart C.7: Students in Ireland – comparison of employment status

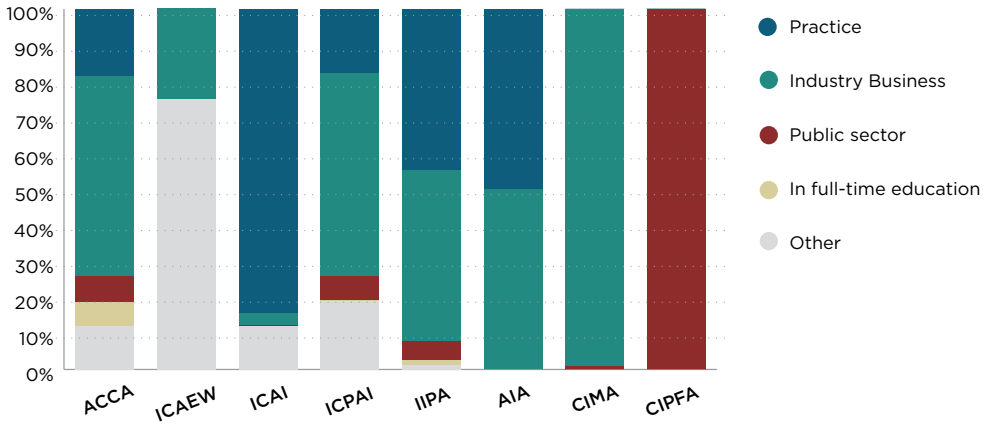


Table C.6: Students in Ireland – age profile

			Recognised Accountancy Bodies								
As at 31 December	2010 TOTAL	2011 TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
< 25	3,098	2,824	498	-	2,095	-	97	2	-	132	-
25–34	10,150	9,858	5,500	3	2,721	-	539	22	3	1,070	-
35–44	3,169	3,295	1,927	1	301	-	266	29	1	769	1
45–54	651	679	336	-	56	-	103	14	-	169	1
55–64	135	153	78	-	10	-	15	11	-	38	1
65+	24	26	8	-	-	-	1	-	-	17	-
Total	**17,227**	**16,835**	**8,347**	**4**	**5,183**	**-**	**1,021**	**78**	**4**	**2,195**	**3**

Chart C.8: Students in Ireland – age profile

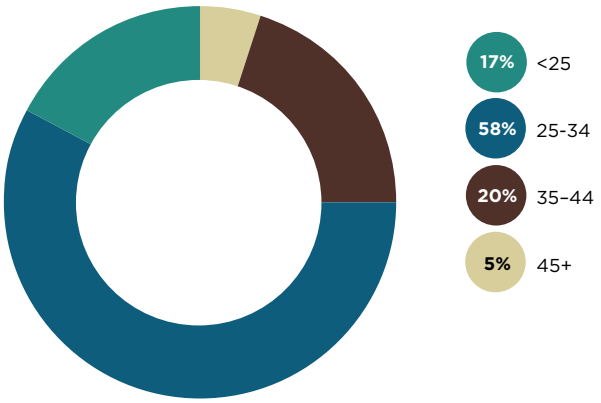


Chart C.9: Students in Ireland – comparison of age profile

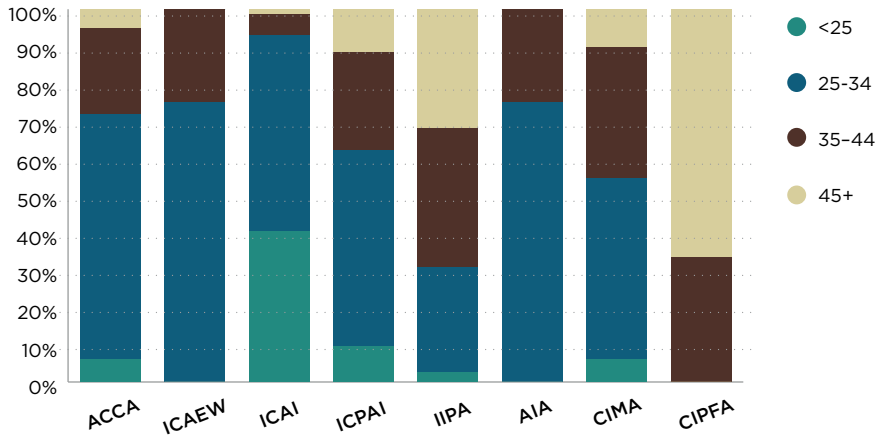


Table C.7: New students registered in Ireland – educational background

			Recognised Accountancy Bodies								
Students registered during the year	2010 TOTAL	2011 TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Non-relevant primary degree	726	686	491	-	106	-	16	-	-	73	-
Relevant primary degree	1,006	1,087	217	-	669	-	81	2	-	118	-
Non-relevant post-graduate qualification	157	120	87	-	-	-	3	-	-	30	-
Relevant post-graduate qualification	370	453	34	-	366	-	13	1	-	39	-
Without a degree	930	682	368	-	38	-	84	5	-	186	1
New students registered	**3,189**	**3,028**	**1,197**	**-**	**1,179**	**-**	**197**	**8**	**-**	**446**	**1**

Chart C.10: New students in Ireland – educational background

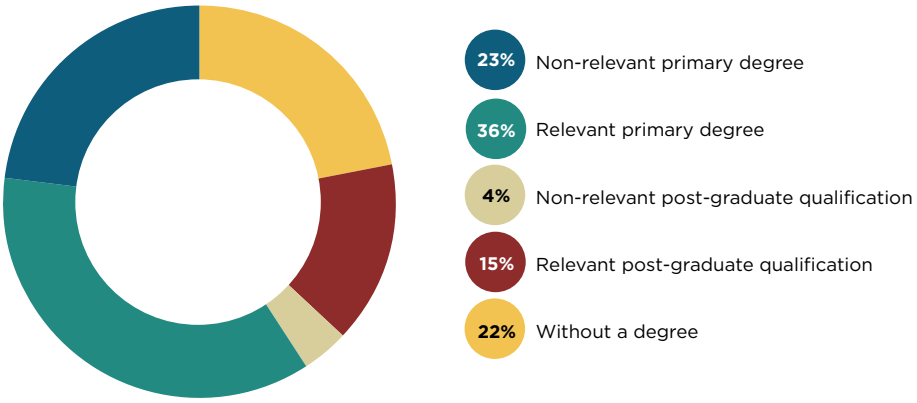
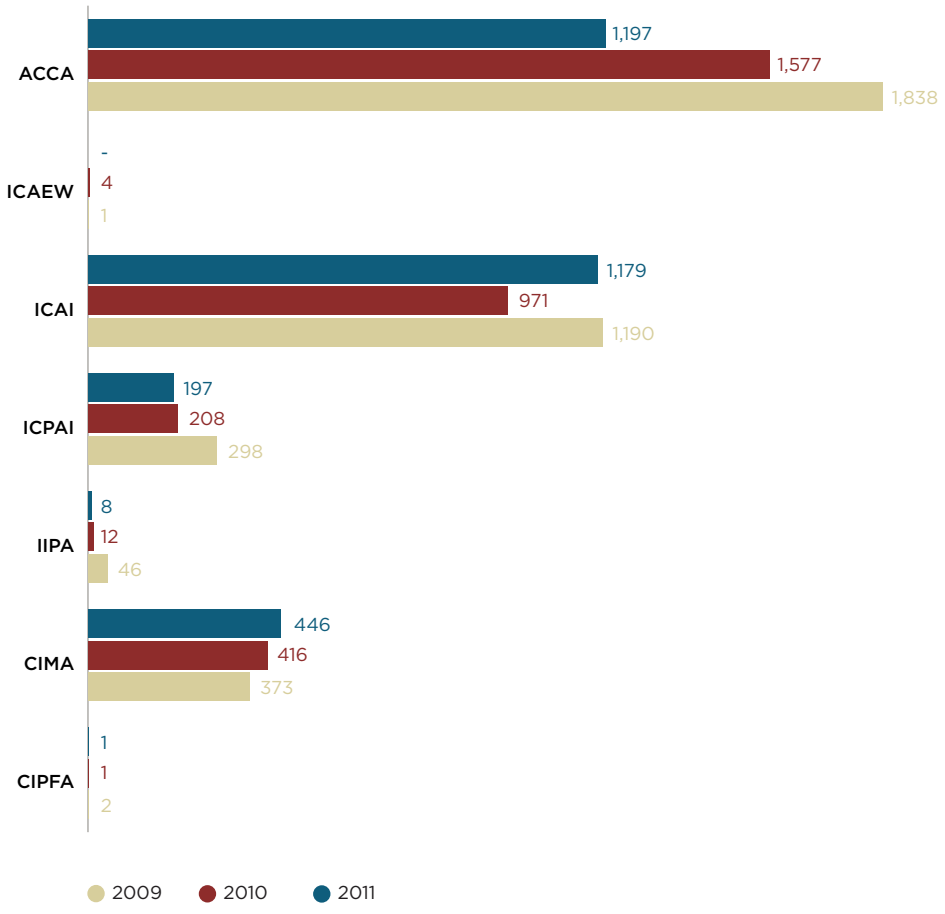


Table C.8: New students registered in Ireland – movement from 2009–2011

New Students In Ireland as at 31 December	2009	2010	2011
ACCA	1,838	1,577	1,197
ICAEW	1	4	-
ICAI	1,190	971	1,179
ICAS	-	-	-
ICPAI	298	208	197
IIPA	46	12	8
AIA	-	-	-
CIMA	373	416	446
CIPFA	2	1	1
Total	**3,748**	**3,189**	**3,028**

Chart C.11: Comparison of new students registered in Ireland 2009–2011



Part D: Practising authorisation

Criteria for practising authorisation

As alluded to in Part A, the PABs impose additional requirements on those of their members wishing to engage in public practice (i.e. offering services to the public) before authorising them to do so. These additional requirements normally include:

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

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

Practising authorisation – Tables and Charts

The following Tables and Charts detail the number of PAB members located in Ireland that, having satisfied the relevant requirements, have been authorised to engage in public practice. Some of the PABs also authorise members located outside of Ireland to practise and, accordingly, the Tables also include such members that have been granted a practising certificate which includes authorisation to engage in public practice in Ireland.

- Of the 30,957 PAB members authorised to engage in public practice in Ireland as at 31 December, 2011, only 3,301 were located in Ireland (Table D.1).
- Of those located in Ireland, three bodies dominate the population, with ICAI members accounting for 53%, ACCA members at 21% and ICPAI members making up 17% (Table D.2).

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

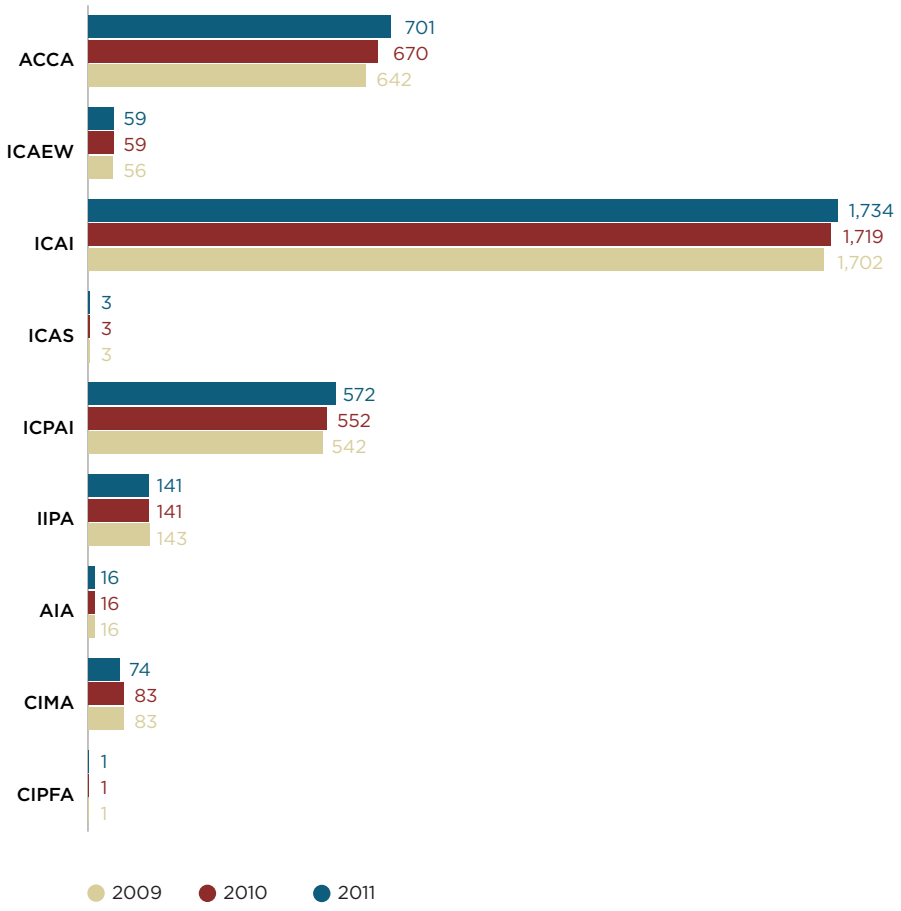
		Recognised Accountancy Bodies								
	TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA	AIA	CIMA	CIPFA
Whether the grant of a practising certificate is to an individual member or a firm		Member	Member	Member	Member	Member	Member	Member	Member	Member
Members with practising certificates at 1 January, 2011	3,244	670	59	1,719	3	552	141	16	83	1
During the year:										
Add: Members who were granted a new certificate during the year	177	38	2	62	-	37	3	1	34	-
Less: Members who did not renew their practising certificate during the year	(78)	(7)	(2)	(39)	-	(14)	(2)	(1)	(13)	-
Less: Practising certificates withdrawn by the Institute/ Association during the year	(7)	-	-	(2)	-	(3)	(1)	-	(1)	-
Other	(35)	-	-	(6)	-	-	-	-	(29)	-
Practising certificates at 31 December, 2011 (For members located in Ireland)	**3,301**	**701**	**59**	**1,734**	**3**	**572**	**141**	**16**	**74**	**1**
Practising certificates at 31 December, 2011 to practice in Ireland (For members worldwide)	**30,957**	**1,299**	**22,907**	**2,378**	**1,723**	**573**	**141**	**16**	**1,535**	**385**

Note: CIMA's 2010 published closing figure has been adjusted down from 162 to reflect only numbers with certificates awarded under new licensing arrangements.

Table D.2: Members with Practising Certificates who are located in Ireland – movement from 2009–2011

Practising certificates at 31 December (For members located in Ireland)	2009	2010	2011
ACCA	642	670	701
ICAEW	56	59	59
ICAI	1,702	1,719	1,734
ICAS	3	3	3
ICPAI	542	552	572
IIPA	143	141	141
AIA	16	16	16
CIMA	83	83	74
CIPFA	1	1	1
Total	**3,188**	**3,244**	**3,301**

Chart D.1: Members with Practising Certificates located in Ireland 2009–2011



Part E: Registered Auditors

Recognised Accountancy Bodies

Section 191 of the Companies Act, 1990 ('the 1990 Act'), as amended, provides that IAASA can grant two separate classes of recognition to bodies of accountants, *viz*:

- recognition for the purposes of section 187 of the 1990 Act (i.e. bodies entitled to grant approval to members to act solely as public auditors); and
- recognition for the purposes of Regulation 24 of the Statutory Audit Directive Regulations (i.e. bodies entitled to grant approval to members to act solely as statutory auditors).

In accordance with the provisions of Regulations 10(3) and 10(4) of the Statutory Audit Directive Regulations, the six RABs that, prior to the enactment of the Regulations, were RABs for the purpose of section 187 of the 1990 Act:

- continue to stand recognised by IAASA under, or for the purpose of, section 187; and
- are deemed to have been granted recognition by IAASA under, or for the purposes of, the Regulations.

Public Auditors

A 'public auditor' means a public auditor for the purposes of the Industrial and Provident Societies Acts, 1893 to 1978, and the Friendly Societies Acts, 1896 to 1977.

To be eligible to undertake audits as a public auditor, an individual or a firm must meet the criteria set out in section 187 of the 1990 Act. These criteria include:

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

Statutory Auditors

Certain companies are obliged under company law to have their financial statements audited by a suitably qualified auditor or audit firm on an annual basis[109]. To be eligible to undertake the statutory audit of a company, an individual or a firm must meet the criteria set out in Regulation 24 of the Statutory Audit Directive Regulations. These criteria include:

- members of the RABs holding appropriate qualifications as referred to in Regulation 26 of the Regulations;
- Member State auditors meeting certain requirements; and
- third country auditors meeting certain requirements.

Individually Authorised Auditors ('IAAs')

Prior to the introduction of the Statutory Audit Directive Regulations, Section 187 of the 1990 Act provided that certain persons who, while not necessarily being members of a RAB, were entitled to perform statutory audit work on foot of individual Ministerial authorisations granted prior to 3 February, 1983, and having been registered under the provisions of section 199(3) of the 1990 Act.

The Statutory Audit Directive Regulations contain important requirements for IAAs authorised as company auditors. Regulation 25(1) of the Statutory Audit Directive Regulations provides that a person that was qualified for appointment as an auditor of a company pursuant to Part X of the 1990 Act is deemed to be approved as a statutory auditor in accordance with the Regulations. Additional requirements are imposed in Regulations 25(2) and 25(3), which provide that an IAA's deemed approval to act as a statutory auditor shall cease to have effect unless the IAA becomes either a member, or subject to the regulation, of a RAB.

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

Registered Auditors

'Registered Auditor', in the context of this Part, means a firm or an individual:

- that is registered to undertake:
  - statutory audits under the Companies Acts; or
  - audits under the Industrial and Provident Societies Acts, 1893 to 1978, and the Friendly Societies Acts, 1896 to 1977;
- being a member or member firm of a RAB; and
- holding the appropriate practising certificate/ authorisation from such a body.

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

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

Register of Auditors

Regulation 63 of the Statutory Audit Directive Regulations requires the Companies Registration Office ('CRO') to maintain a register of statutory auditors and audit firms. Regulation 64 requires the RABs to provide the required information to the CRO in respect of those of their members that have been approved as statutory auditors. Additionally, section 198 of the 1990 Act requires public auditors to be included on the Register of Auditors maintained by the CRO.

Regulation 65 prohibits a person from acting as, or representing him/herself as, a statutory auditor unless his/her name is entered in the Register of Auditors. Anyone contravening this Regulation is guilty of an offence and is liable:

- on summary conviction, to a fine not exceeding €5,000; or
- on conviction on indictment, to a fine not exceeding €50,000.

Registered Auditors – Tables and Charts

The Tables and Charts in this Part provide information in respect of the members/member firms authorised by the six[110] RABs to perform both statutory audits under the Companies Acts and audits under the Industrial and Provident Societies Acts, 1893 to 1978, and the Friendly Societies Acts, 1896 to 1977.

- While 6,107 members/member firms have been authorised by the RABs to offer auditing services in Ireland (Table E.1), the number of those with offices in Ireland is substantially smaller at 1,612 (Table E.3). This is attributable to the fact that, generally speaking, authorisation by the UK based RABs of UK based members/ member firms also constitutes authorisation to perform statutory audits in Ireland.
- The majority (69%) of auditors with offices in Ireland operate as one principal firms (Table E.3), meaning that there is a single partner in the firm, who may or may not employ a number of staff.

[110] The remaining three PABs (i.e. AIA, CIMA and CIPFA) are not RABs and may not, therefore, confer audit authorisations in Ireland on their members/member firms.

Table E.1: Registered Auditors – analysis by principal and offices worldwide

As at 31 December, 2011	TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Whether audit registration is by member or by firm	-	Firm	Firm	Firm	Firm	Firm	Both
Total number of Registered Auditors at 31 December	**6,107**	**546**	**3,865**	**995**	**232**	**362**	**107**
Analysis of firms by number of principals:							
1 principal	3,713	389	2,277	604	85	254	104
2–5 principals	2,186	151	1,438	360	127	107	3
6–10 principals	142	5	105	19	12	1	-
11–25 principals	40	1	30	5	4	-	-
26–50 principals	15	-	8	4	3	-	-
50+ principals	11	-	7	3	1	-	-
Analysis of firms by number of offices							
1 office	4,398	489	2,379	911	170	342	107
2 offices	1,253	45	1,083	60	45	20	-
3 offices	259	11	230	18	-	-	-
4–5 offices	136	1	117	5	13	-	-
6–10 offices	43	-	39	1	3	-	-
11–20 offices	10	-	10	-	-	-	-
20+ offices	8	-	7	-	1	-	-

Chart E.1: Comparison of Registered Auditors worldwide by number of principals

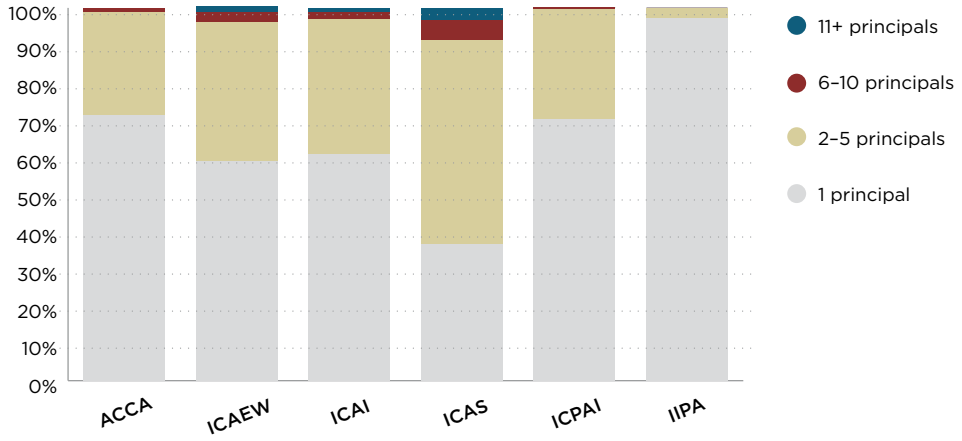


Chart E.2: Comparison of Registered Auditors worldwide by number of offices

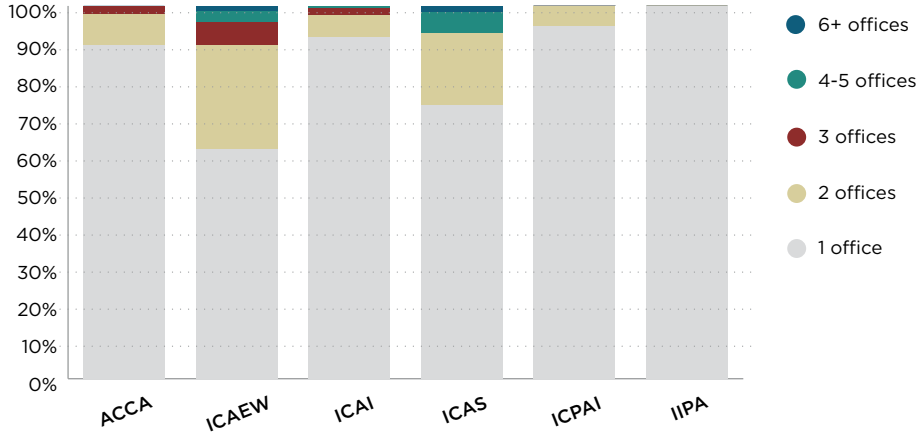


Table E.2: Registered Auditors worldwide – movement from 2009–2011

As at 31 December	2009	2010	2011
ACCA	540	540	546
ICAEW	2,545	3,958	3,865
ICAI	985	986	995
ICAS	191	232	232
ICPAI	343	348	362
IIPA	111	107	107
Total	**4,715**	**6,171**	**6,107**

Chart E.3: Registered Auditors worldwide 2009–2011

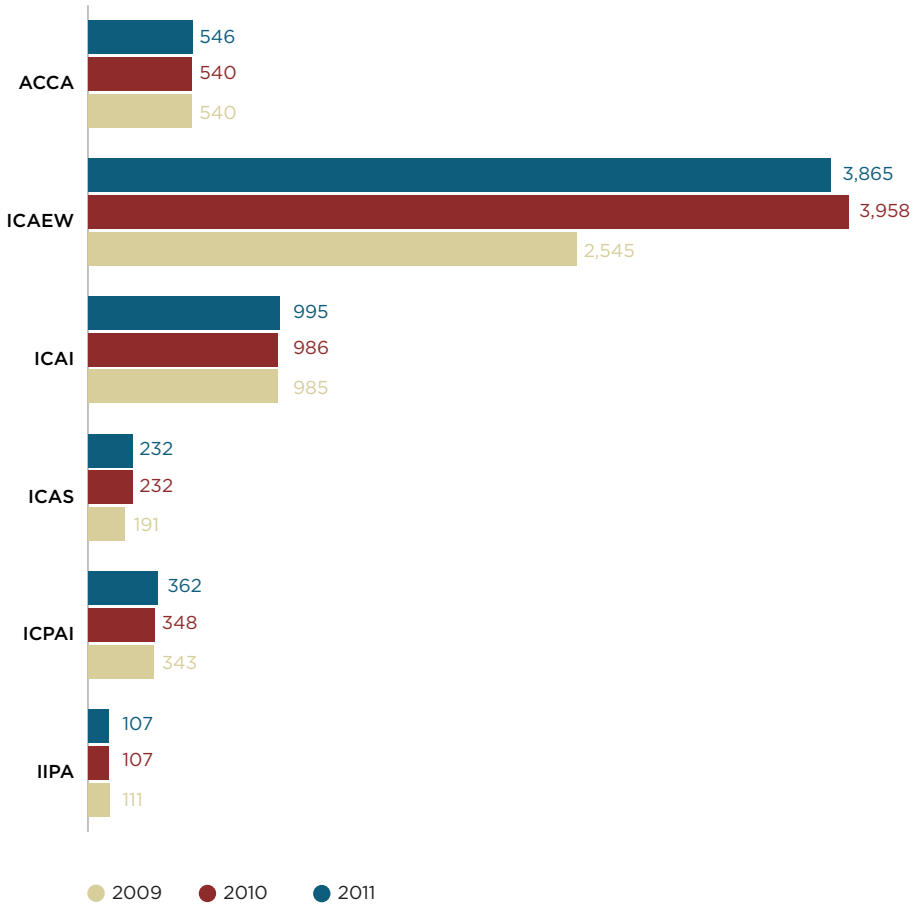


Table E.3: Registered Auditors with offices in Ireland – analysis by principal and offices

As at 31 December, 2011	TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Whether audit registration is by member or by firm		Firm	Firm	Firm	Firm	Firm	Both
Total number of Registered Auditors at 31 December	**1,612**	**361**	**7**	**772**	**3**	**362**	**107**
Analysis of firms by number of principals:							
1 principal	1,108	254	6	487	3	254	104
2–5 principals	479	104	1	264	-	107	3
6–10 principals	15	3	-	11	-	1	-
11–25 principals	3	-	-	3	-	-	-
26–50 principals	4	-	-	4	-	-	-
50 + principals	3	-	-	3	-	-	-
Analysis of firms by number of offices							
1 office	1,511	333	6	720	3	342	107
2 offices	81	22	1	38	-	20	-
3 offices	16	6	-	10	-	-	-
4–5 offices	3	-	-	3	-	-	-
6–10 offices	1	-	-	1	-	-	-
11+ offices	-	-	-	-	-	-	-

Chart E.4: Comparison of Registered Auditors with offices in Ireland by number of principals

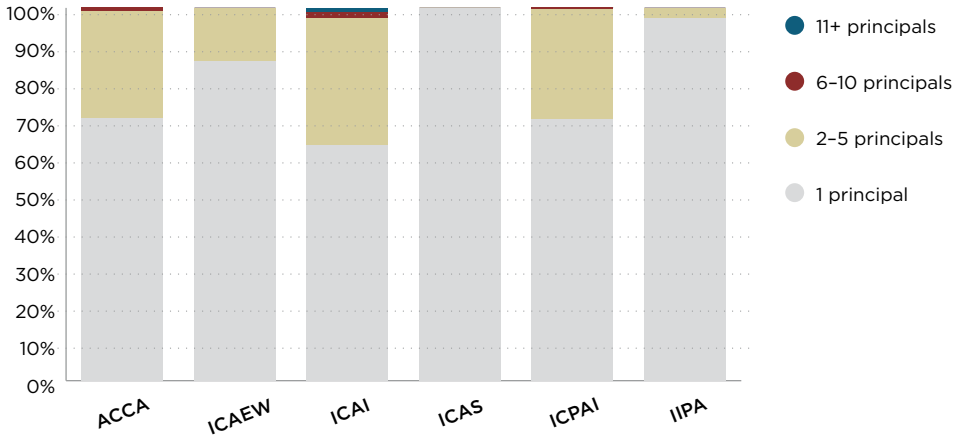


Chart E.5: Comparison of Registered Auditors with offices in Ireland by number of offices

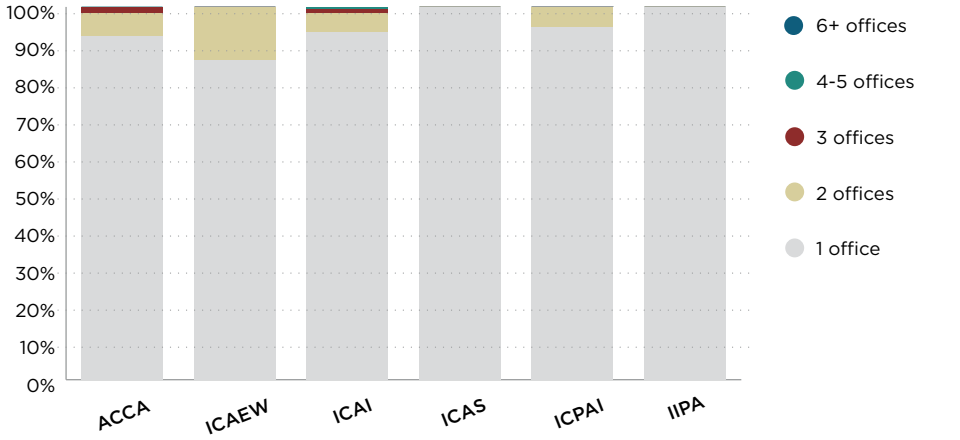


Table E.4: Registered Auditors with offices in Ireland – movement from 2009–2011

As at 31 December	2009	2010	2011
ACCA	325	343	361
ICAEW	8	7	7
ICAI	754	754	772
ICAS	1	3	3
ICPAI	343	348	362
IIPA	111	107	107
Total	**1,542**	**1,562**	**1,612**

Chart E.6: Registered Auditors with offices in Ireland 2009–2011

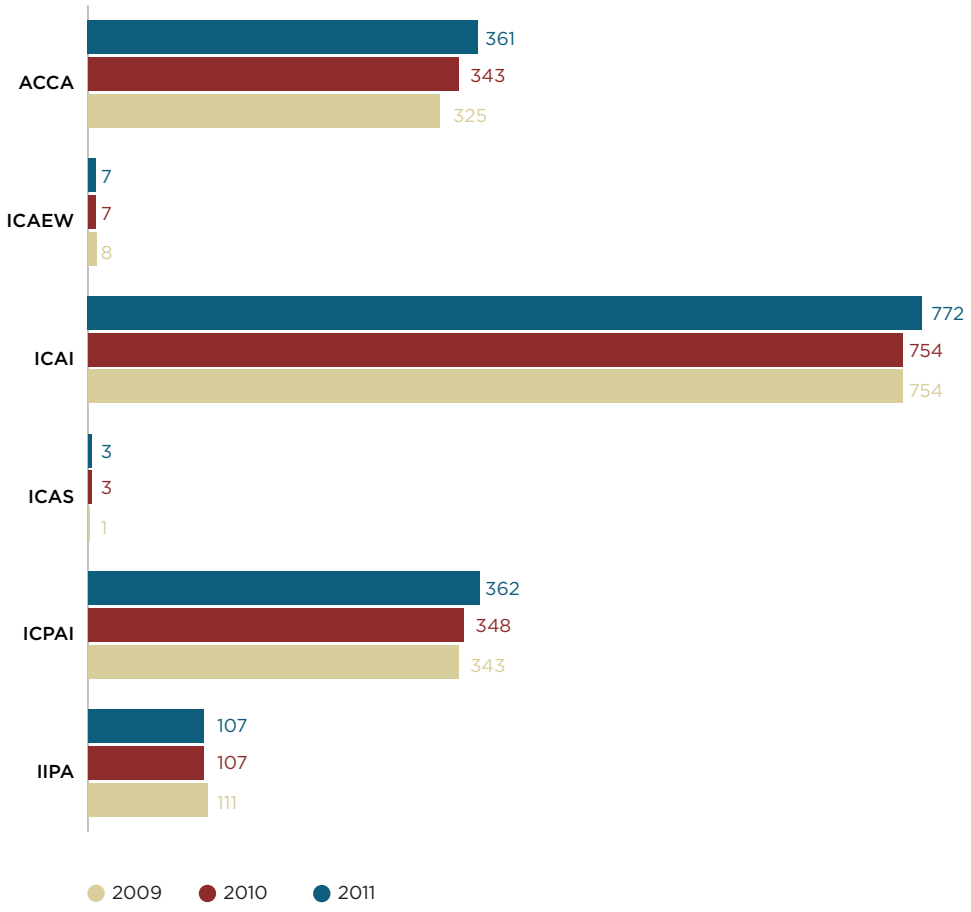


Table E.5: Registered Auditors worldwide – movement during the year

Year to 31 December, 2011	TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Audit registrations at 1 January, 2011	6,171	540	3,958	986	232	348	107
During the year:							
ADD: New applications for audit registration accepted	415	53	235	72	10	41	4
LESS: Audit registrations withdrawn/not renewed following a request from the Registered Auditor	(450)	(46)	(308)	(62)	(9)	(22)	(3)
Audit registrations withdrawn /suspended as a result of disciplinary or other regulatory action taken by the Institute/Association	(28)	(1)	(20)	(1)	(1)	(4)	(1)
Other	(1)	-	-	-	-	(1)	-
Registered Auditors at 31 December, 2011	**6,107**	**546**	**3,865**	**995**	**232**	**362**	**107**

Table E.6: Registered Auditors with offices in Ireland – movement during the year

Year to 31 December, 2011	TOTAL	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Audit registrations at 1 January, 2011	1,562	343	7	754	3	348	107
During the year:							
ADD: New applications for audit registration accepted	139	35	-	59	-	41	4
LESS: Audit registrations withdrawn/not renewed following a request from the Registered Auditor	(82)	(17)	-	(40)	-	(22)	(3)
Audit registrations withdrawn/suspended as a result of disciplinary or other regulatory action taken by the Institute/Association	(6)	-	-	(1)	-	(4)	(1)
Other	(1)	-	-	-	-	(1)	-
Registered Auditors at 31 December, 2011	**1,612**	**361**	**7**	**772**	**3**	**362**	**107**

Part F: RABs' monitoring of Registered Auditors

Responsibility for monitoring of Registered Auditors

Under current legislative arrangements, responsibility for the monitoring (i.e. quality assurance processes and monitoring of compliance with professional standards etc.) of members and member firms resides with the six RABs. The Authority's role is to supervise the manner in which the RABs discharge their monitoring responsibilities and the Authority's activities in this regard are discussed in Chapter 3 of this Report.

RABs' monitoring systems

Currently, all of the RABs have arrangements in place for monitoring their members/member firms. In the case of several RABs, this regime extends beyond audit into other areas of members' or member firms' activities such as investment business activities. As this Part is concerned with the quality assurance system employed to assess those members who are Registered Auditors, information on other areas of members' activities, such as investment business activity, is not discussed here.

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

Scope of quality assurance reviews

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

- an assessment of the member's or member firm's compliance with the relevant RAB's bye-laws, regulations, professional standards and applicable law;
- an assessment of the member's or member firm's internal quality control procedures; and
- a substantive review of individual client engagement files for the purpose of assessing, amongst other things, the level of adherence to auditing standards.

Review cycles

Each of the RABs seeks to perform quality assurance reviews of members or member firms by reference to pre-determined cycles. The length of cycles varies between the RABs and within the RABs depending on the nature of members' or member firms' client bases (e.g. firms auditing listed clients or clients otherwise regulated (e.g. credit unions, solicitors etc) would generally tend to be reviewed more frequently than members/member firms not having such clients).

RAB's monitoring of Registered Auditors – Tables and Charts

It should be noted that variations may occur in the statistics provided in Table F.1 (relating to the number of reviews completed) and Table F.3 (regarding the grades awarded) due to timing differences between the date of completion of a quality assurance review and the date the grade is awarded.

Table F.1: Registered Auditors – quality assurance reviews – summary of activities

Year to 31 December, 2011	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Number of quality assurance reviews open at 1 January, 2011	7	76	21	1	-	2
Add: Quality assurance reviews carried out during 2011	115	716	22	56	62	17
Less: Quality assurance reviews concluded during 2011	(111)	(716)	(35)	(57)	(55)	(17)
Quality assurance reviews open at 31 December, 2011	**11**	**76**	**8**	**-**	**7**	**2**

Chart F.1: % of on-site visits by total number of Registered Auditors

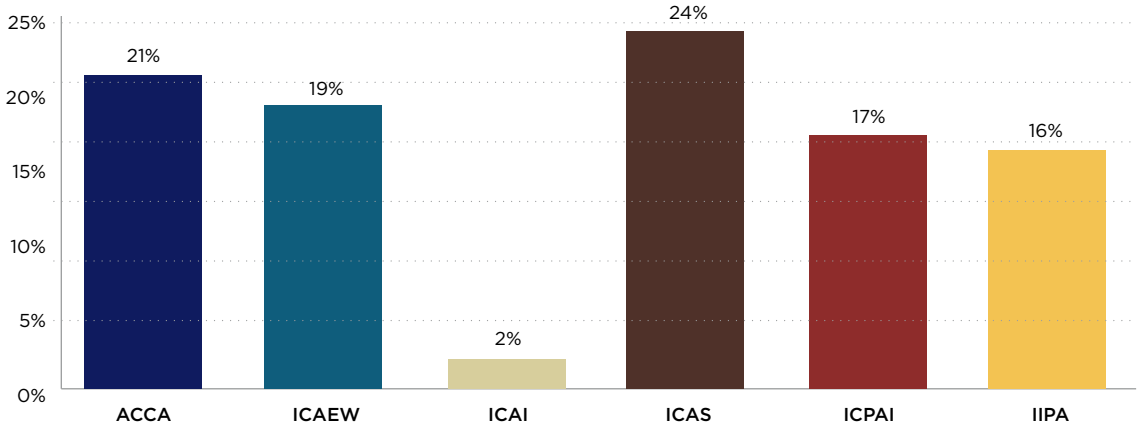


Table F.2: Quality assurance on-site visits during 2011

Year to 31 December, 2011	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Number of expected quality assurance on-site visits to be undertaken in 2011	173	710	30	50	82	21
Number of visits actually undertaken in 2011	**115**	**716**	**22**	**56**	**62**	**17**
Analysis of the reasons for each visit:						
Number of members/firms selected for a visit as part of normal cycle (randomly/routinely)	59	628	-	-	48	11
Number of members/firms specifically selected and visited due to heightened risk (excluding early follow-ups)	-	59	1	54	-	5
Number of members/firms visited following a referral from a committee	14	29	2	-	1	-
Number visited as re-review/early follow-up	42	-	2	2	13	2
Other reason	-	-	17	-	-	-
Analysis of members/firms visited by size:						
1 principal	80	429	15	26	46	16
2–5 principals	35	233	7	26	16	1
6–10 principals	-	27	-	2	-	-
11–25 principals	-	6	-	2	-	-
26–50 principals	-	3	-	-	-	-
50+ principals	-	18	-	-	-	-

Table F.3: Registered Auditors – outcome of quality assurance visits – grades

	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Grades awarded	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6

Note 1: ACCA grades awarded

This Table shows the reasons for, and outcomes of, quality assurance visits carried out by ACCA to firms holding a firm's auditing certificate valid in Ireland during 2011.

Visit reason	A/B	C+	C-	D	Total
New/routine	29	9	5	16	59
Early follow-up (4 years)	14	3	1	11	29
Early follow-up (2 years)	7	1	-	4	12
Investigative Committee ordered visit	3	-	-	8	11
Total	**53**[1]	**13**	**6**	**39**[2]	**111**

[1] 7 of these firms had no audit clients

[2] 1 of these firms had no audit clients

Key to grades awarded:

A/B: Good/satisfactory

C+: Unsatisfactory & improvements required

C-: Unsatisfactory & significant improvements required

D: Regulatory action required (regulatory/disciplinary action)

Note 2: ICAEW grades awarded

Grade		No.
A:	No instances of non-compliance or other matters requiring follow-up action.	85
B:	Some instances of non-compliance or other matters but the firm's responses adequately address the matters raised and no follow-up action required.	300
C:	Some instances of non-compliance or other significant issues and additional detail or evidence of the firm's actions as agreed in its closing meeting required.	149
D4:	No conditions or restrictions are proposed but the committee may wish to impose regulatory penalties or refer to investigations.	16
D3:	The 'Quality Assurance Directorate' is recommending conditions be imposed, for which the firm has not volunteered, but are likely to lead to the necessary improvements once imposed.	19
D2:	Serious or extensive non-compliance and the firm's responses inadequate. Stringent conditions and restrictions likely to be recommended, to provide a strong framework to monitor the firm's actions. The committee may warn that it considered withdrawing the firm's audit registration.	23
D1:	The 'Quality Assurance Directorate' recommends that the firm's audit registration should be withdrawn.	13
N:	Situations where specific committee requirements cannot be rated in accordance with the specified criteria e.g. where a firm wishes to continue with audit registration but does not have any audit clients.	111
Total		**716**

Note 3: ICAI grades awarded

Grade		No.
A:	No breaches recorded and no regulatory action required.	1
B:	Instances of non-compliance noted but firm has undertaken to address all issues arising and no follow-up action is required.	12
C:	Instances of non-compliance noted and the firm has undertaken to take actions that address the issues raised, and follow-up is required.	9
D3:	Conditions or restrictions to be imposed, but loss of registration or authorisation not being proposed.	8
D2:	Serious integrity concerns, flagrant breaches, lack of commitment, progress, competence or failure to comply with previous conditions/restrictions. The Quality Review Committee will be 'minded to withdraw' authorisation or registration. However, it may be possible for the problems to be corrected.	3
D1:	Serious integrity concerns, flagrant breaches, lack of commitment, progress, competence or failure to comply with previous conditions/restrictions. Loss of registration or authorisation is proposed.	2
Total		**35**

Note 4: ICAS grades awarded

Grade		No.
A:	No instance of non-compliance with the Institute's Audit Regulations.	2
B:	Some areas of non-compliance, but they have been adequately addressed by the firm's closing meeting responses.	25
C2:	Some instances of non-compliance in relation to one area and follow-up action is required.	15
C1:	Some instances of non-compliance in relation to more than one area and follow-up actions required.	6
D3:	Findings requiring follow-up actions such as imposition of conditions and restrictions.	6
D2:	Committee to consider withdrawing audit registration or to impose serious conditions and restrictions.	1
D1:	Proposing withdrawal of audit registration.	1
Total		**56**

Note 5: ICPAI grades awarded

Type of review	A	B	C	D	No Grade	Total
Normal review	21	16	11	-	-	48
Re-review	2	9	1	-	1	13
Committee referral	1	-	-	-	-	1
Total	**24**	**25**	**12**	**-**	**1**	**62**

Explanation of Grades:

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

Note 6: IIPA grades awarded

Grade		No.
1:	No further action or follow-up required.	-
2:	The firm has a small number of minor issues and will be required to address and report back to the Monitoring Committee within an eight week period.	11
3:	The firm has a moderate number of minor issues and will be required to address and report back to the Monitoring Committee within an eight week period. They will be subject to a revisit within six months.	3
4:	The firm has a large number of minor issues or a small number of significant issues and will be required to address and report back to the Monitoring Committee within a four week period. In addition, they will be required to immediately engage appropriate professional guidance from an appropriate source.	2
5:	The firm has a large number of significant issues. Prompt action will be taken by the Monitoring Committee. This will include suspension of the member's practising certificate and referral of the matter to the Director of Professional Conduct as a complaint.	-
No Grade:	Awaiting the report.	2
Total		**18**

Table F.4: Registered Auditors – outcome of quality assurance visits – RABs' actions

Year to 31 December, 2011	ACCA	ICAEW	ICAI	ICAS	ICPAI	IIPA
Number who have had their audit registration withdrawn as a result of the findings of a quality assurance review	-	14	-	1	-	-
Number who have had their audit registration suspended as a result of the findings of a quality assurance review	1	-	2	1	-	-
Number referred to an investigations & disciplinary process	4	22	-	1	-	-
Number who have had a follow up on site visit imposed	26	4	1	1	9	-
Number who have cold file reviews imposed	-	13	10	18	-	-
Number who have had monetary penalties imposed	-	27	9	3	-	-
Number who have had a desk-top review of client files imposed	-	-	-	-	23	-
Number directed to address CPD/training matters	-	14	8	2	-	-
Number directed not to accept further audit appointments	-	27	-	2	-	-
Number directed to resign from a client	-	-	-	-	-	-
Number of other conditions/restrictions	30	150	38	4	-	2

FINANCIAL & RELATED STATEMENTS

Report of the Directors

Introduction

The directors are pleased to submit to the sixth Annual General Meeting of the Irish Auditing and Accounting Supervisory Authority ('IAASA') the Authority's financial statements for the year ended 31 December, 2011, together with the Report of the Directors, which has been prepared pursuant to the provisions of section 158 of the Companies Act, 1963 (as amended). The retained surplus for the year was nil.

Directors and Secretary

The Directors and Secretary of the Authority, as at 31 December, 2011, were:

Member	Nominating body	Appointed	Ceased
Ms. Karen Erwin (Chairperson)	Ministerial nominee	3 January, 2006	
Mr. Ian Drennan (Chief Executive)	Other Board members	3 January, 2006	
Mr. Paul Appleby	Director of Corporate Enforcement	3 January, 2006	5 March, 2012
Ms. Marie Daly	Irish Business & Employers' Confederation	3 January, 2006	
Mr. Sean Hawkshaw	Irish Association of Investment Managers	3 January, 2006	
Mr. Tony Kelly	Prescribed Accountancy Bodies	3 January, 2006	
Mr. Brendan Kennedy	Pensions Board	8 June, 2007	2 January, 2012
Mr. David Martin	Prescribed Accountancy Bodies	24 May, 2011	
Mr. Tadhg O'Connell	Revenue Commissioners	3 January, 2009	2 January, 2012
Mr. Kevin O'Donovan	Prescribed Accountancy Bodies	24 May, 2011	
Mr. Joe O'Toole	Irish Congress of Trade Unions	3 January, 2006	
Mr. Michael Quinlan	Law Society of Ireland	3 January, 2011	
Mr. Gerard Scully	Irish Stock Exchange	11 July, 2007	
Mr. Brian Shiels	Ministerial nominee	3 January, 2009	2 January, 2012
Secretary	Mr John G O'Malley, Head of Legal Services, IAASA	15 April, 2008	

The following were not directors at the balance sheet date, having either ceased to hold office during the year or been appointed since 1 January, 2012:

Member	Nominating body	Appointed	Ceased
Ms. Deirdre Behan	Revenue Commissioners	3 January, 2012	
Mr. Michael Deasy	Central Bank of Ireland	3 January, 2006	15 July, 2011
Ms. Mairéad Devine	Central Bank of Ireland	3 January, 2012	
Ms. Sylvia McNeece	Pensions Board	3 January, 2012	
Mr. Conor O'Mahony	Director of Corporate Enforcement	8 March, 2012	

Principal activities

IAASA was incorporated as a company limited by guarantee[111] on 20 December, 2005 for the purpose of discharging the functions and exercising the powers of the Irish Auditing and Accounting Supervisory Authority as provided for by the Companies (Auditing and Accounting) Act, 2003 ('the Act'). It was subsequently designated for that purpose by the Minister for Trade & Commerce pursuant to the provisions of section 5 of the Act.

Under the Transparency (Directive 2004/109/EC) Regulations, IAASA has been designated as the competent authority for the purposes of Article 24(4)(h) of the EU Transparency Directive. Accordingly, IAASA is responsible for monitoring the periodic financial reporting of certain entitles whose securities are listed on a regulated market in the EU and for taking appropriate enforcement action in cases of infringement.

IAASA has also been designated as competent authority pursuant to the European Communities (Transitional Period Measures in Respect of Third Country Auditors) Regulations 2009[112]. Under the Regulations, auditors and audit entities from certain third countries (i.e., certain non-EU Member States) may continue to issue audit opinions that are valid under EU law for a transitional period provided that they first provide IAASA with certain specified information.

With the enactment of the European Communities (Statutory Audits) (Directive 2006/43/EC) Regulations 2010[113], IAASA has been designated as the competent authority with supervisory functions and has been conferred with substantial additional functions and responsibilities.

Consistent with the model of supervised self-regulation provided for by the Act (as amended), IAASA is responsible for, *inter alia,* supervising the Recognised Accountancy Bodies' regulation, monitoring and disciplining of their members and member firms.

IAASA does not trade for the acquisition of gain by its members.

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 for the purpose of facilitating the identification, quantification and management of the key business risks facing the Authority and that the aforementioned Policy and procedures have been adopted by the Board.

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

To ensure that proper books and accounting records are maintained in accordance with the requirements of section 202 of the Companies Act, 1990, the Authority has employed an appropriately qualified Head of Finance and utilises appropriate computer software. The books of account are located at the Authority's registered office at Willow House, Millennium Park, Naas, Co. Kildare.

Post Balance Sheet Events

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

Auditor

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

Approved and authorised for issue by the Board of directors on 15 June, 2012 and signed on its behalf:

Karen Erwin	Ian Drennan	Kevin O'Donovan
Chairperson	*Chief Executive*	*Chairperson, Audit Committee*

[111] The Memorandum of Association of the Authority states that every member undertakes to contribute to the assets of the Authority, in the event of the Authority being wound up, the sum of €1 (one euro).

[112] Statutory Instrument No 229 of 2009, which is available for download from www.iaasa.ie

[113] Statutory Instrument No 220 of 2010, which is available for download from www.iaasa.ie

Statement on Internal Financial Control

Responsibility for system of internal financial control

On behalf of the Board of directors of the Irish Auditing and Accounting Supervisory Authority I acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated.

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

Key control procedures

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

- clearly defining management responsibilities;
- formalising a clear separation between the Board's and the Executive's functions and powers;
- setting regular reporting requirements concerning financial and related matters;
- establishing an Audit Committee;
- engaging an external firm of accountants to act as providers of an internal audit service to the Authority;
- publishing Codes of Conduct for both directors and employees of the Authority; and
- seeking to 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 the Authority, including the extent and categories of risk which it regards as acceptable;
- assessing the likelihood of identified risks coming to fruition;
- assessing the Board's ability to manage and mitigate identified risks; 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 the Authority, segregation of duties and a system of delegation and accountability. In particular it includes:

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

The Authority has appointed Crowleys DFK to act as internal auditors and to report to the Audit Committee. The Audit Committee, which comprises 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 current 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 Committee with regular reports on assignments carried out. These reports, *inter alia*, highlight deficiencies or weaknesses, if any, in the system of internal financial control and the recommended corrective measures to be taken where necessary.

I confirm that, in respect of the period ended 31 December, 2011, the Board conducted a review of the system of internal financial control and that the Board's review was informed by the work of the internal auditor, the Audit Committee, which oversees the work of the internal auditor and the Authority's executive who have responsibility for the development and maintenance of the financial control framework.

Signed on behalf of the Board:

Karen Erwin
Chairperson

Statement of Directors' Responsibilities

Pursuant to the provisions of section 5 of the Companies (Auditing and Accounting) Act, 2003, the Irish Auditing and Accounting Supervisory Authority performs its functions and exercises its powers through a company limited by guarantee, designated for that purpose by the Minister for Trade & Commerce.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of its surplus or deficit for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Authority will continue in operation; and
- disclose and explain any material departures from applicable Accounting Standards.

The directors are responsible for keeping proper books of account, which disclose with reasonable accuracy at any time the financial position of the Authority and to enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2009. The directors are also responsible for safeguarding the assets of the Authority and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

(b) *all expenditure incurred by it, and*

(c) *its assets and liabilities'*.

Approved and authorised for issue by the Board of directors on 15 June, 2012 and signed on its behalf:

Karen Erwin
Chairperson

Ian Drennan
Chief Executive

Kevin O'Donovan
Chairperson, Audit Committee

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 2011 under the Companies (Auditing and Accounting) Act 2003. The financial statements, which have been prepared under the accounting policies set out therein, comprise the Statement of Accounting Policies, the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law 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 of the state of the company's affairs and of its income and expenditure, and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and 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 company's circumstances, and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made 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 all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. 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, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the company's affairs at 31 December 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Companies Acts 1963 to 2009.

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

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

Matters on which I report by exception

I report by exception if

- my audit noted any material instance where moneys have 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 Annual Report for the year for which the financial statements are prepared is not consistent with the financial statements, or
- the Statement on Internal Financial Control does not reflect the company's compliance with the Code of Practice for the Governance of State Bodies, or
- I find 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.

Andrew Harkness

For and on behalf of the Comptroller and Auditor General

21 JUNE 2012

Statement of Accounting Policies for the year ended 31 December, 2011

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

1. Basis of Preparation

The financial statements are prepared in accordance with generally accepted accounting principles under the historical cost convention. The accounting policies applied in the preparation of these financial statements have been applied consistently during the year and prior year, except for the change in accounting policy highlighted in Notes 22 and 23 to the Financial Statements in regard to accounting for retirement benefits. Accounting Standards issued by the Accounting Standards Board for use in Ireland are adopted as they become effective.

2. Currency

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

3. Recurrent Income

3.1. Approved Programme of Expenditure for the year

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

3.2. Excess Income

In accordance with the provisions of section 16 of the Companies (Auditing and Accounting) Act, 2003 ('the Act'), any excess of income over expenditure in any financial period shall be applied towards meeting the Authority's Programme of Expenditure in the following period and any amounts payable from the Exchequer and Prescribed Accountancy Bodies respectively shall be appropriately reduced. In accordance with section 16 of the Act, income set aside for Reserve Fund[114] purposes is not, however, considered to be income for this purpose.

3.3. Exchequer Grant Income

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

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

Accordingly, Exchequer grant income recognised in the Income & Expenditure Account represents the amount necessary to meet 40% of the Authority's net recurrent expenditure in the period. Any timing differences arising at the balance sheet date between 40% of the Authority's net expenditure in the period and amounts received from the Exchequer (*via* the Department) are, therefore, reflected as a debtor or grant income carried forward to the following period in accordance with the provisions of section 16 of the Act, as appropriate.

3.4. Prescribed Accountancy Bodies' (PABs) Levies

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

Given that, once approved by the Minister, statutory levies imposed on, and receivable from, the PABs are designed to meet 60% of the Authority's expenditure in the period, PAB levy

[114] As detailed in accounting policy 4

income recognised in the Income & Expenditure Account represents the amount necessary to meet 60% of the Authority's net recurrent expenditure in the period. Accordingly, any differences arising at the balance sheet date between 60% of the Authority's net expenditure in the period and the aggregate of levies received from the PABs are reflected as debtors or levy income carried forward to the following period in accordance with the provisions of section 16 of the Act, as appropriate.

4. Reserve Fund Income

4.1. Reserve Fund – Purpose and method of funding

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

With the consent of the Minister, the Authority has built a Reserve Fund of €250,000 collected and set aside for Reserve Fund purposes during periods ended 31 December, 2007. No such income was collectable in the year ended 31 December, 2011. Pursuant to the provisions of section 15(1)(b) of the Act, the Reserve Fund is funded as follows:

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

In addition to this amount, accrued interest and fine income (as detailed in 4.4 below) have been added to the Reserve Fund. The balance of the fund is laid out in Note 17.

4.2. Exchequer Grant Income – Reserve Fund

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

4.3. PABs' Levies – Reserve Fund

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

4.4. Income from Fines – Reserve Fund

Pursuant to the provisions of Section 23 of the Act, fines may be levied on PABs in circumstances where adverse findings are made by IAASA following investigation under the relevant Regulations[115]. Such income is required to be credited to the Reserve Fund[116]. Once approved by the High Court, as is required by section 29 of the Act, income from fines is accounted for on a receivable basis.

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

5.1. Transparency Directive – Purpose and method of funding

The Transparency Directive ((EC) 2004/109) is concerned with the harmonisation of information requirements applying to issuers whose securities have been admitted to trading on a regulated market situated, or operating, within the EU. The Directive has been implemented in Ireland through a combination of primary[117] and secondary[118] legislation. IAASA has been designated by the Minister as a competent authority for the purposes of Article 24(4)(h) of the Directive, which concerns monitoring the compliance of issuers' periodic financial reports.

5.2. Exchequer Grant Income – Transparency Directive

As is the case with the Authority's other sources of Exchequer income, the amount provided by the Exchequer is such as to meet the amount expended in the period. Transparency Directive income is accounted for in the financial statements on a receivable basis.

[115] Statutory Instrument 667 of 2007 – Companies (Auditing and Accounting) Act 2003 (Procedures Governing the Conduct of Section 23 Enquiries) Regulations 2007

[116] Section 15 of the Act requires, *inter alia,* that any amounts paid to the Authority under section 23(5)(c) be credited to the Reserve Fund.

[117] The Investment Funds, Companies and Miscellaneous Provisions Act, 2006

[118] Statutory Instrument 277 of 2007 – Transparency (Directive 2004/109/EC) Regulations 2007

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

6.1. Third Country Audit Entities – Purpose and method of funding

The Authority has been designated as a competent authority for the purposes of the European Communities (Transitional Period Measures in Respect of Third Country Auditors) Regulations 2009 (Statutory Instrument No 229 of 2009). Under the Transitional Regulations auditors and audit entities from certain third countries (i.e., certain non-EU Member States) may continue to issue audit opinions that are valid under EU law for a transitional period provided that they first provide the Authority with certain specified information, and pay a statutorily determined fee of €2,000.

6.2. Income from Third Country Audit Entities

In accordance with Department of Jobs, Enterprise & Innovation sanction, monies received from Third Country Audit Entity Registration may be retained and used towards the performance of the Authority's responsibilities in that regard to a maximum of €40,000. Such income is accounted for in the financial statements on a receivable basis.

7. Lease on Authority premises

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

8. Taxation

As detailed further in Note 13 to the Financial Statements, the Authority 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. The Authority is not, however, exempt from Deposit Interest Retention Tax (DIRT).

9. Superannuation

The arrangements that the Authority has in place with regard to employees' superannuation benefits are described in Note 22. A defined benefit superannuation scheme has been approved by the Ministers for Jobs, Enterprise & Innovation and Public Expenditure & Reform respectively for employees of the Authority, and a spouses & children's scheme similarly operates on an administrative basis. The schemes are based on the civil service 'model' schemes as described on the *www.cspensions.gov.ie* website.

In summary, the arrangements are as follows:

i. Authority employees' pension contributions are paid to the Department of Jobs, Enterprise & Innovation;

ii. The Authority 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% [2010: 25%]; and

iii. In return for the payment to it of the employees' and employer's superannuation contributions, the Department has committed that any superannuation benefits due to Authority employees, and/or their spouses and children will be met in full by the Exchequer as they fall due.

In substance, the directors consider that the obligation to pay superannuation benefit remains with the Authority but that the Exchequer has committed to providing the Authority with sufficient funds to settle any such obligations on the Authority's behalf as they fall due provided the Authority pays over employees' and the employer's contributions at rates specified by the Minister for Public Expenditure & Reform. Accordingly, the financial statements recognise both a superannuation benefit obligation and a deferred exchequer pension funding receivable. The represents a change in accounting policy from that adopted in previous years and full details on the related prior year adjustment are included in Note 23 to the financial statements.

Pension scheme liabilities represented by the present value of future pension payments earned by Authority staff to date are measured on an actuarial basis using the projected unit method. Pension costs reflect pension benefits earned by Authority staff in the period and are shown net of employee pension contributions, which are retained by the Department of Jobs, Enterprise & Innovation ('the Department'). The amount to be included in the financial statements for the Deferred Exchequer Pension Funding amount is estimated at an equal amount 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 Total Recognised Gains and Losses for the year in which they occur and a corresponding adjustment is recognised to the balance for Deferred Exchequer Pension 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 Income & Expenditure account to the extent that they exceed or fall short of pension costs respectively as described above.

10. Tangible Fixed Assets

Tangible Fixed Assets are carried in the balance sheet at cost less accumulated depreciation. Depreciation is charged to the Income & Expenditure Account on a straight line basis, with the charge being calculated over assets' expected useful lives at the following rates:

IT Equipment	33⅓%
Office Equipment	20%
Furniture & Fittings	12½%

11. Stocks

Stocks on hand at period end represent stocks of information technology consumables and office consumables and are stated at cost.

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

Income & Expenditure Account for the year ended 31 December, 2011

	Note	2011 €	2010 €
Income	4	2,070,617	1,964,744
Administrative Expenses			
Staff Costs	5	1,355,585	1,208,018
Directors' Fees	5(a)	81,925	81,225
Accommodation	6	163,479	166,622
Travel & Subsistence		50,672	42,916
Consultancy	7	168,689	268,403
Office Expenditure	8	58,912	71,959
Information Technology	9	14,958	14,464
HR & Professional Development	10	36,790	40,254
Insurance		25,420	25,534
Auditors' Remuneration	11	11,280	11,280
Depreciation	12	6,248	6,261
Total Administrative Expenses		1,973,958	1,936,936
Surplus of income over administrative expenses		96,659	27,808
Interest Receivable		29,655	17,949
Surplus for the year before Deposit Interest Retention Tax		126,314	45,757
Deposit Interest Retention Tax	13	(8,192)	(4,559)
Surplus for the year after Deposit Interest Retention Tax		**118,122**	**41,198**
Transferred from/(to) Capital Account	16	775	(12,131)
Transferred (to) Reserve Fund	17	(118,897)	(29,067)
Surplus for the year after Transfers		**-**	**-**

The results for the year relate to continuing operations.

The Statement of Accounting Policies, Cash Flow Statement and Notes 1 to 27 form part of these financial statements.

Approved and authorised for issue by the Board of directors on 15 June, 2012 and signed on its behalf:

Karen Erwin
Chairperson

Ian Drennan
Chief Executive

Kevin O'Donovan
Chairperson, Audit Committee

Irish Auditing & Accounting Supervisory Authority

Statement of Total Recognised Gains and Losses for the year ended 31 December, 2011

	Note	2011 €	2010 €
Surplus for the year after Transfers		-	-
Experience gains on pension scheme liabilities	22	4,930	50,200
Changes in assumptions	22	-	-
Actuarial gain/(loss) on pension liabilities	22	-	-
Adjustment to deferred Exchequer pension funding	22	(4,930)	(50,200)
Total recognised gains for the year		-	-

The results for the year relate to continuing operations.

The Statement of Accounting Policies, Cash Flow Statement and Notes 1 to 27 form part of these financial statements.

Approved and authorised for issue by the Board of directors on 15 June, 2012 and signed on its behalf:

Karen Erwin
Chairperson

Ian Drennan
Chief Executive

Kevin O'Donovan
Chairperson, Audit Committee

Irish Auditing & Accounting Supervisory Authority

Balance Sheet as at 31 December, 2011

	Note	2011 €	2010 restated €
Fixed Assets			
Tangible Fixed Assets	12	15,616	16,391
Current Assets			
Stock on Hand		3,039	3,107
Debtors & Prepayments		21,026	19,859
Bank & Cash	14	977,699	753,685
		1,001,764	776,651
Creditors: Amounts falling due within 1 year			
Creditors & Accruals		117,746	151,423
Deferred Rent Incentive	15	1,452	1,452
PAB Levy Income Carried Forward	4.5	425,861	283,597
Exchequer Grant Income Carried forward	4.5	24,123	25,042
		569,182	461,514
Net Current Assets		432,582	315,137
Amounts falling due after 1 year			
Deferred Rent Incentive	15	18,940	20,392
Net Assets before retirement benefits		**429,258**	**311,136**
Retirement Benefits			
Superannuation Benefit Liability	22	(569,000)	(434,000)
Deferred Exchequer Pension Funding	22	569,000	434,000
Net Assets after retirement benefits		**429,258**	**311,136**
Reserves			
Income & Expenditure Account		-	-
Capital Account	16	15,616	16,391
Reserve Fund	17	413,642	294,745
		429,258	**311,136**

The Statement of Accounting Policies, Cash Flow Statement and Notes 1 to 27 form part of these financial statements.

Approved and authorised for issue by the Board of directors on 15 June, 2012 and signed on its behalf:

Karen Erwin
Chairperson

Ian Drennan
Chief Executive

Kevin O'Donovan
Chairperson, Audit Committee

Irish Auditing & Accounting Supervisory Authority

Cash Flow Statement for the year ended 31 December, 2011

	Note	2011 €	2010 €
Net Cash Inflow from Operating Activities	18	209,725	39,247
Return on Investments & Servicing of Finance			
Interest Received		27,071	18,100
Capital Expenditure			
Payments to Acquire Tangible Fixed Assets		(5,473)	(18,392)
Taxation			
Deposit Interest Retention Tax (DIRT) Paid		(7,309)	(4,525)
Management of Liquid Resources			
Amounts Transferred (to) Fixed Term Deposits (non-Reserve)		(50,000)	(50,000)
Amounts Transferred (to) Fixed Term Deposits (Reserve)		(110,000)	(24,392)
Interest Reinvested in Fixed Term Deposits (Net of DIRT)		(19,762)	(13,575)
Increase/(Decrease) in Cash in Year		**44,252**	**(53,537)**
Reconciliation of Net Cash Flow to Movement in Net Funds			
Net cash & liquid resources at 1 January		(753,685)	(719,255)
Net cash & liquid resources at 31 December		977,699	753,685
(Increase) in Liquid Resources in Year		(179,762)	(87,967)
Increase/(Decrease) in Cash in Year	19	**44,252**	**(53,537)**

The Statement of Accounting Policies and Notes 1 to 27 form part of these financial statements.

Approved and authorised for issue by the Board of directors on 15 June, 2012 and signed on its behalf:

Karen Erwin
Chairperson

Ian Drennan
Chief Executive

Kevin O'Donovan
Chairperson, Audit Committee

Irish Auditing & Accounting Supervisory Authority

Notes to Financial Statements

Note 1 – Accounting period

Pursuant to the provisions of section 5 of the Companies (Auditing and Accounting) Act, 2003 ('the Act'), the functions and powers of the Authority are performed and exercised respectively through a company limited by guarantee and designated by the Minister for Jobs, Enterprise & Innovation ('the Minister') for that purpose. The company (Registered No. 412677) was incorporated on 20 December, 2005.

The period covered by the financial statements is the year ended 31 December, 2011.

Note 2 – Level of guarantee

The Memorandum of Association of the Authority states that every member undertakes to contribute to the assets of the Authority, in the event of the Authority being wound up, the sum of €1 (one euro).

Note 3 – Format of the financial statements

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

Note 4 – Income

4.1 Approved Programme of Expenditure

The Authority's Programme of Expenditure for the year, as approved by the Minister under section 13(4) of the Act was €2,375,000 [2010: €2,116,000] as laid out below. In addition, Exchequer funding to a maximum of €407,000 [2010: €425,000] was made available during the year in respect of the Authority's functions under Article 24(4)(h) of the EU Directive 2004/109/EC ('Transparency Directive').

	Exchequer (40%) €	**PABs (60%)** €	**Total** €
Recurrent Expenditure			
(as approved under S. 13(4) of the Act)	950,000	1,425,000	2,375,000
Reserve Fund	-	-	-
Sub-total	**950,000**	**1,425,000**	**2,375,000**
Approved allocation in respect of Transparency Directive	407,000	-	407,000
Total	**1,357,000**	**1,425,000**	**2,782,000**

4.2 Income (Accounting Policies 3, 4, 5 and 6 refer)

	2011 €	2010 €
Recurrent Income under the Act (Note 4.4)		
Exchequer Grant Income	666,093	657,602
Prescribed Accountancy Bodies' Levies	999,139	986,404
	1,665,232	1,644,006
Reserve Fund Income		
Amounts receivable in respect of fines (Section 23)	110,000	21,325
~Compensatory interest payment	-	3,067
	110,000	24,392
Income in respect of Transparency Directive Activity (Note 4.4)		
Exchequer Grant Income	285,933	293,904
Prescribed Accountancy Bodies' Levies	-	-
	285,933	293,904
Income in respect of Third Country Audit Entity Registration		
Transitional registration fees received from Third Country Audit Entities	-	1,988
	-	1,988
Miscellaneous Income		
EU Refunds in respect of travel expenses	140	454
Dept Social Protection mandated benefits	6,812	-
ICAI contribution to legal costs	2,500	-
	9,452	454
	2,070,617	**1,964,744**

4.3 Stipulations regarding the use of income

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

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

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

In accordance with Department of Jobs, Enterprise & Innovation sanction, monies received in respect of the Third Country Audit Entity Registration may be retained and used towards the performance of the Authority's responsibilities in that regard to a maximum of €40,000. No additional Exchequer or PAB income was approved in this regard in 2011.

4.4 Calculation of Net Expenditure

	2011 €	**2010** €
Gross Expenditure *per Income & Expenditure Account*	1,973,958	1,936,936
Add: Unamortised amount of income used for capital acquisitions	(775)	12,131
	1,973,183	1,949,067
Less:		
Miscellaneous Income	9,452	454
Non-reserve fund interest (net of DIRT)	12,566	8,715
Income from third country audit entity registration	–	1,988
Net Expenditure for the year	**1,951,165**	**1,937,910**
Net Expenditure related to Transparency Directive obligations	285,933	293,904
Net Expenditure related to Activities under the 2003 Act (Note 4.2)	1,665,232	1,644,006
	1,951,165	**1,937,910**
Net expenditure attributable to the Exchequer		
i. Transparency Directive (100%)	285,933	293,904
ii. Obligations under the Act (40%)	666,093	657,602
Net expenditure attributable to the Prescribed Accountancy Bodies	999,139	986,404
	1,951,165	**1,937,910**

4.5 – Calculation of Grant Debtor / Levy Carry Forward

	Exchequer €	PABs €	TOTAL €
Balance at 1 January, 2011	(25,042)	(283,597)	(308,639)
Attributable net expenditure *(Note 4.4 refers)*	952,026	999,139	1,951,165
Grants/Levies received in the year	(951,107)	(1,141,403)	(2,092,510)
(Levy Carry Forward) at 31 December, 2011	**(24,123)**	**(425,861)**	**(449,984)**

Note 5 – Staff Costs

	2011 €	2010 €
Salaries	1,038,722	931,210
Employer PRSI Contributions	90,372	78,089
Employer Pension Contributions *(Note 22)*	226,491	198,719
	1,355,585	**1,208,018**

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 €81,535 [2010: €73,395]

The average number of employees during the year was 13 [2010: 12]. The Authority's complement of full time staff at 31 December, 2011 was 14 [2010: 13].

Note 5(a) – Board Fees

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. Furthermore, in accordance with the foregoing, fees are not payable to State Body Chief Executives with effect from 1 November, 2011.

	2011 €	**2010** €
Karen Erwin	11,970	11,970
Helene Coffey	–	7,695
Marie Daly	7,695	7,695
Ian Drennan	6,409	7,695
Sean Hawkshaw	7,695	7,695
Tony Kelly	7,695	7,695
Brendan Kennedy *(balance voluntarily foregone)*	405	7,695
David Martin	4,638	-
Kevin O'Donovan	4,638	-
Joe O'Toole	7,695	7,695
Michael Quinlan	7,695	-
Gerard Scully	7,695	7,695
Brian Shiels	7,695	7,695
	81,925	**81,225**

In addition, a total of €565 [2010: €1,902] was paid to Board members during the year in respect of expenditure incurred in the course of their duties, based on the definition below.

The Authority has heretofore defined *expenses paid to directors* as actual amounts reimbursed to directors in respect of out of pocket expenditure incurred. All reimbursements to the Chief Executive (bar his Board fee) have been treated as being related to his obligations as Chief Executive, rather than his role as a director. This approach is consistent with the requirements of Paragraph 12.1 (iv) of the Code.

Following a review, the directors are of the view that, in the interests of enhanced transparency, *expenses paid to directors* should, with effect from 1 January, 2011, include expenses both paid to and incurred directly by the Authority on behalf of the directors. Using this broader definition, a total of €1,676 was incurred in 2011. Expenses paid to or incurred on behalf of the Chief Executive totalled €13,437, as detailed in Note 21(a).

Note 6 – Accommodation

	2011 €	2010 €
Rent *(Note 15)*	117,711	117,711
Building Service Charges	16,794	16,853
Millennium Park Service Charges	7,992	7,517
Insurance	617	660
Rates	18,538	18,917
Other Room Hire	1,827	4,964
	163,479	**166,622**

Note 7 – Consultancy

	2011 €	2010 €
Financial Statement Review (Transparency Directive)	89,013	95,885
Committees of Enquiry – Section 23	16,134	115,537
Legal Advice	56,924	42,867
Internal Audit & Actuarial Services	6,458	12,550
PR Consultancy	-	1,564
Other Consultancy	160	-
	168,689	**268,403**

Note 8 – Office Expenses

	2011 €	2010 restated €
Post & Telecommunications	11,795	14,333
Printing & Stationery	4,887	9,958
Office Supplies	3,521	3,055
Repairs & Maintenance	3,417	3,777
Advertising & Publicity	13,825	18,926
Periodicals & Newspapers	4,803	5,235
Cleaning & Hygiene Services	7,763	7,737
Light & Heat	8,126	8,157
Bank Charges	201	216
Sundries	558	239
~ Official Entertainment	16	326
	58,912	**71,959**

~ Expenditure in the category of *Official Entertainment* was disclosed separately on the face of the Income & Expenditure account in 2010. In view of the quantum of the expenditure, the category is included in *Office Expenditure* for the year 2011.

Note 9 – Information Technology

	2011 €	2010 €
Software & Licences	4,254	4,793
Peripherals & Consumables	485	1,459
Maintenance Contracts	7,346	5,845
Internet Services	2,570	1,850
Website Development	303	517
	14,958	**14,464**

Note 10 – HR & Professional Development

	2011 €	2010 €
Continuing Professional Development & Other Professional Training	6,554	10,780
Reference Materials & Subscriptions	5,499	4,649
Professional Membership Subscriptions – Individual	8,657	10,235
Professional Membership Subscriptions – Fora	16,080	14,590
	36,790	**40,254**

Note 11 – Auditor Remuneration

	2011 €	2010 €
Audit of company accounts	11,280	11,280
	11,280	**11,280**

No services other than statutory audit services were provided by the Comptroller & Auditor General during the year.

Note 12 – Tangible Fixed Assets

	IT Equipment €	Office Equipment €	Furniture & Fittings €	Total €
Cost				
At 1 January, 2011	20,771	7,290	11,817	39,878
Additions	5,473	-	-	5,473
Disposals	-	-	-	-
At 31 December, 2011	**26,244**	**7,290**	**11,817**	**45,351**
Accumulated Depreciation				
At 1 January, 2011	17,346	4,571	1,570	23,487
Charge for year	3,715	1,056	1,477	6,248
At 31 December, 2011	**21,061**	**5,627**	**3,047**	**29,735**
NET BOOK VALUE				
At 1 January, 2011	3,425	2,719	10,247	16,391
At 31 December, 2011	**5,183**	**1,663**	**8,770**	**15,616**

Note 13 – Taxation

Income Tax

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

Capital Gains Tax

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

Note 14 – Bank & Cash

	2011 €	**2010** €
Bank – current	152,249	108,080
Bank – notice deposit	825,250	645,488
Cash on Hand	200	117
	977,699	**753,685**

€410,002 [2010: €292,331] of the funds held in the Authority's bank accounts at 31 December, 2011 relate to the Reserve Fund and can only be used for the purposes as set out in Note 4.3.

Note 15 – Lease of Accommodation, Deferred Rent Incentive & Establishment Costs

Under the lease agreement, the Authority benefited from a rent free period at the commencement of the lease on its offices at Willow House, Millennium Park, Naas. In accordance with the provisions of UITF Abstract No. 28 'Operating Lease Incentives', 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 Income & Expenditure Account over the period of the lease.

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

As a consequence, in addition to tangible fixed assets acquired by the Authority subsequent to its incorporation, and to which the Authority has legal title, the Authority also has the use of certain assets that were acquired by the Department of Jobs, Enterprise & Innovation 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	**715,081**

The notional Net-Book Value of these assets at the balance sheet date, had they been depreciated in accordance with IAASA policies, would be €78,731 [2010: €157,462].

Note 16 – Capital Account

	2011 €	2010 €
Opening Balance – 1 January,	16,391	4,260
Transferred from Income & Expenditure Account:		
Income applied to capitalised asset acquisitions	5,473	18,392
Less: Amortisation in line with asset depreciation	(6,248)	(6,261)
Closing Balance – 31 December,	**15,616**	**16,391**

Note 17 – Reserve Fund Reserve

		2011 €	2010 €
Opening Balance – 1 January,		294,745	265,678
Transferred from Income & Expenditure Account:			
Interest Receivable on Reserve Fund monies (net of DIRT)	8,897		4,675
Amounts receivable in respect of fines (S. 23)	110,000		21,325
Compensatory interest payment	-	118,897	3,067
Closing Balance – 31 December,		**413,642**	**294,745**

Note 18 – Reconciliation of Surplus for the year to Net Cash from Operating Activities

	2011 €	2010 €
Surplus for the year after Deposit Interest Retention Tax	**118,122**	**41,198**
Non Operating Items:		
Less: Interest Received (Net of DIRT)	(19,762)	(13,575)
	98,360	**27,623**
Add:		
(Decrease)/Increase in Creditors & Accruals	(33,677)	23,339
Increase/(Decrease) in PABs' Levies carry forward	142,264	(30,414)
(Decrease)/Increase in Exchequer Grant Income carry forward	(919)	16,751
(Increase) in Debtors & Prepayments	(1,167)	(1,447)
Decrease/(Increase) in Stock	68	(1,414)
(Decrease) in Deferred Rent Incentive	(1,452)	(1,452)
Depreciation	6,248	6,261
	111,365	11,624
Net Cash Inflow from Operating Activities	**209,725**	**39,247**

Note 19 – Analysis of changes in net funds

	Cash at Bank & on Hand	Cash on Fixed Term Deposit	TOTAL
Balance at 1 January, 2011	108,197	645,488	753,685
Cash flow for year	44,252	179,762	224,014
Balance at 31 December, 2011	**152,449**	**825,250**	**977,699**

Note 20 – Financial Commitments

20.1 Capital Commitments

There are no capital commitments as at 31 December, 2011

20.2 Rental commitments

The Authority's premises are leased on behalf of the State by the Office of Public Works ('OPW'). The Authority in turn rents the premises from the OPW, but has provided no long-term undertakings in this regard. Given that the Authority is not a party to the lease, the Authority has no rental commitments in the coming twelve months. Rental commitments under the lease in the coming twelve months, which are payable by the OPW, will be €119,163.

Note 21 – Chief Executive's Salary

The remuneration paid to the Chief Executive in the year amounted to €125,452 [2010: €125,526], comprising basic pay only. The Chief Executive's Performance Related Bonus Scheme was not in operation in 2011 [or 2010]. In addition, and in accordance with the provisions of the Code of Practice for the Governance of State Bodies, the Chief Executive received Board fees as detailed in Note 5(a) above for the period ending 31 October, 2011. No fees are payable to Chief Executives of State bodies thereafter. The foregoing represents the total remuneration package of the Chief Executive. The Chief Executive is a member of the civil service superannuation scheme and, consequently, in the context of the superannuation arrangements detailed in Note 22, the Authority bears no liability in this regard.

Note 21a – Chief Executive's Expenses

The Authority has heretofore categorised all reimbursements to the Chief Executive (bar his Board fee) as being related to his obligations as Chief Executive rather than his role as a director. This approach is consistent with the requirements of Paragraph 12.1 (iv) of the Code.

Following a review, the directors are of the view that, in the interests of enhanced transparency, all expenses incurred directly or indirectly by the Chief Executive in the performance of his duties should be disclosed with effect from 1 January, 2011.

	2011 €
Professional memberships *(subject to BIK where applicable)*	1,672
Travel & Subsistence, incl. air fares	10,002
Mobile phone costs	814
Internet Services	949
	13,437

Note 22 – Accounting Treatment for Retirement Benefits

22.1 Overview

In accordance with section 20 of the Act, the Authority may only establish a superannuation scheme with the approval of the Minister, given with the consent of the Minister for Public Expenditure & Reform ('the Ministers'). The Authority has prepared and submitted proposals to the Ministers in respect of employees and employees' spouses & children (which are based upon the civil service defined benefit 'Model Schemes'). The employees' scheme was approved by the Ministers on 29 November, 2010. The employees' spouses' & children's scheme had not been approved at the balance sheet date (or by the date on which these financial statements were approved by the directors).

22.2 Position up to 28 November, 2010

As completion of the necessary reviews of proposals for superannuation schemes can be a lengthy process, the Authority has agreed certain interim measures with the Department of Jobs, Enterprise & Innovation. In that context, the Department has been granted approval by the Department of Public Expenditure & Reform to operate superannuation arrangements on the Authority's behalf on an administrative basis. These interim arrangements have the following characteristics:

i. the Authority pays over employer and employee contributions to the Department of Jobs, Enterprise & Innovation;

ii. the Department of Jobs, Enterprise & Innovation, on the direction of the Department of Finance, assumes responsibility for funding (directly or indirectly) future pension liabilities of the Authority as they arise on the basis that the Department of Jobs, Enterprise & Innovation is receiving sufficient contributions from the Authority to cover these future liabilities; and

iii. the Department of Public Expenditure & Reform has set a contribution rate of 25% [2010: 25%] of relevant salaries to achieve sufficient contributions to cover the future pension liabilities.

22.3 Position with effect from 29 November, 2010

Following the approval of the employee superannuation scheme, the Department continues to deduct and retain employee and employer contributions (as detailed above) at source and remit same to the Exchequer. In return for such payments, the Department has confirmed that the position as outlined above remains unchanged.

22.4 Actuarial valuation

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

	At 31-12-2011	**At 31-12-2010**
Rate of increase in salaries	3.50%	3.50%
Rate of increase in pensions in payment	3.00%	3.00%
Discount rate	5.00%	5.00%
Inflation assumption	2.00%	2.00%
Life expectancy at age 70: male	17.4 years	17.4 years
Life expectancy at age 70: female	20.3 years	20.3 years

Based on the above, the present value of liabilities at the balance sheet date is €569,000 [2010: €434,000], and the service cost (calculated on the foregoing assumptions) for the year is €112,600 [2010: €105,000]. Certain of the Authority's staff, who have accumulated service elsewhere in the public service, have not to date exercised the option to transfer said service to the Authority.

22.5 Analysis of total pension costs charged to expenditure

	2011 €	**2010** €
Total employer contribution	226,491	198,719
*Current service cost	112,600	105,000
Interest cost	27,330	25,200
Adjustment to deferred Exchequer pension funding	(139,930)	(130,200)
Total charged to Income & Expenditure Account	**226,491**	**198,719**

*Employee contributions totalling €49,276 [2010: €42,593] have been included in the calculation of the current service cost.

22.6 Movement in net pension liability

	2011 €	**2010** €
Net Pension Liability at 1 January	434,000	354,000
Current Service Cost	112,600	105,000
Interest Cost	27,330	25,200
Experience (gains)/losses on scheme liabilities	(4,930)	(50,200)
Pensions paid in the year	-	-
Net Pension Liability at 31 December	**569,000**	**434,000**

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

	2011 €	**2010** €	**2009** €	**2008** €	**2007** €
Scheme liability	569,000	434,000	354,000	219,000	269,000
Experience (gains)/losses on scheme liabilities	(4,930)	(50,200)	(3,700)	-	-
Changes in assumptions	-	-	29,300	-	-

Note 23 – Prior year adjustment – Accounting for Retirement Benefits

23.1 Position to 31 December, 2010

The arrangements in place in respect of employee retirement benefits were (and remain) as detailed in Note 22 above. The directors have previously formed the judgement that these arrangements come within the definition of a defined contribution scheme as defined by FRS 17. Accordingly, the Authority has heretofore accounted for its employer contributions in accordance with the provisions of paragraph 7 of the Standard, i.e. by charging the cost of contributions payable to the scheme in the year to the Income & Expenditure Account.

23.2 Position with effect from 1 January, 2011

As explained in the accounting policy note for pensions, the directors, following a review of all accounting policies and clarifications received from the Departments of Jobs, Enterprise & Innovation in this matter, now consider that the Authority, in substance, retains the full obligation for the settlement of defined benefit superannuation liabilities and has a matching asset in the form of a receivable amount from the Exchequer. Accordingly, the Authority's obligations on pension obligations are now recognised as a defined benefit obligation under the provisions of FRS 17 together with appropriate adjustments to reflect the commitments from the Exchequer. This represents a change in accounting policy and gives rise to the requirement for a prior year adjustment to the amounts previously reported in respect of the year ended 31 December 2010, detailed as follows:

23.3 Amendment to financial statements for the year ended 31 December, 2010.

The foregoing change in accounting policy does not impact upon the Authority's Income & Expenditure for the year ended 31 December, 2010 (or prior years). There are no adjustments to the balances for reserves carried forward from prior years as of 1 January, 2010.

The following amendments are reflected in the Statement of Total Recognised Gains and Losses for the year ended 31 December, 2010

	2010 as published	Movement	2010 restated
Experience gains on pension scheme liabilities	-	50,200	50,200
Adjustment to deferred Exchequer pension funding	-	(50,200)	(50,200)

The following amendments are reflected in the Balance Sheet at 31 December, 2010:

	2010 as published	Movement	2010 restated
Experience gains on pension scheme liabilities	-	434,000	434,000
Adjustment to deferred Exchequer pension funding	-	(434,000)	(434,000)

Note 24 – Authority Board Members – Disclosure of Transactions

In accordance with the Code of Practice for the Governance of State Bodies, the Authority has in place Codes of Business Conduct for Board members and employees. These codes include guidance in relation to the disclosure of interests by Board members and these procedures have been adhered to by the Board during the year covered by these financial statements. During the year under review, there were no financial transactions with directors other than the payment of Board fees and expenses detailed in Note 5(a). There were no occasions whereby a Board Member disclosed a financial interest during 2011.

Note 25 – Related Party Transactions

There were no related party transactions during the year [2010: NIL]. No amounts were outstanding at year end.

Note 26 – Transaction with other Government Sponsored Bodies

26.1 Semi state bodies

In common with many other entities, the Authority deals in the normal course of business with other government sponsored bodies including those listed below. No arrangements other than commercial day-to-day activities existed in the year or to date:

- An Post
- Comptroller & Auditor General
- Department of Jobs, Enterprise & Innovation
- Dublin Fire Brigade
- ESB Customer Supply/Electric Ireland
- Institute of Public Administration
- Naas Town Council
- Office of Public Works

26.2 Banks Owned or Controlled by the Irish State

In the normal course of business, the Authority transacts with Allied Irish Banks plc ('AIB'), which has become wholly controlled by the Irish government. AIB is the Authority's sole banker, and all of the Authority's transactions with AIB are on normal commercial terms. IAASA had no borrowings during the year or at the Balance Sheet date.

Note 27 – Approval of the Financial Statements

The Financial Statements were approved and authorised for issue by the Board of directors on 15 June, 2012.

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APPENDIX

Presentations and Articles

Presentation and Articles

Presentations

Date	Topic	Audience	Presenter
12 January	Financial reporting supervision role of IAASA – an update	Deloitte partners, directors and managers	Michael Kavanagh, Head of Financial Reporting Supervision and Maurice Barrett, Project Manager, Financial Reporting Supervision
26 January	The Future of the Statutory Audit – Current Complexity of Financial Reporting	ICAI hosted event	Michael Kavanagh, Head of Financial Reporting Supervision (Panel Member)
27 January	The Statutory Audit Directive Regulations	ACCA	Helen Hall, Head of Regulatory & Monitoring Supervision
2 February	Update on relevant accounting enforcement issues	Deloitte SPV clients	Michael Kavanagh, Head of Financial Reporting Supervision and Garrett Ryan, Project Manager, Financial Reporting Supervision
28 February	Overview of the Regulatory & Monitoring Supervision Unit and Overview of the Statutory Audit Directive Regulations	M. Acc. Students, NUIG	Trevor Rushe, Project Manager, Regulatory and Monitoring Supervision
22 March	The Future of Irish GAAP	Financial Services Panel of ACCA Ireland	Michael Kavanagh, Head of Financial Reporting Supervision
24 May	Overview of IAASA	IPA Governance Forum, '*Finance for Board Members*'	Ian Drennan, Chief Executive
1 November	Financial reporting enforcement in Ireland	MBS Students, DCU	E. Townsend, Project Manager, Financial Reporting Supervision
7 November	The future of external audit in Ireland	IPA/CIPFA Conference	Ian Drennan, Chief Executive
24 November	Financial reporting supervision role of IAASA – an update	PwC partners, directors and managers	Michael Kavanagh, Head of Financial Reporting Supervision and Garrett Ryan, Project Manager, Financial Reporting Supervision
25 November	Statutory Audit – A look ahead	Omnipro Practitioners' Conference	Ian Drennan, Chief Executive
5 December	The future of external audit in Ireland	M. Acc. Students, LKIT	Ian Drennan, Chief Executive

Articles

Title/Publication	Author
Application of the financial reporting aspects of the Transparency Directive in the funds Industry – *Accounting and Business*, September, 2011	Michael Kavanagh, Head of Financial Reporting Supervision
ESMA Overview - *Accounting and Business*, December, 2011	Michael Kavanagh, Head of Financial Reporting Supervision

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GLOSSARY OF TERMS

GLOSSARY OF TERMS

ACCA	Association of Chartered Certified Accountants
Act, the	Companies (Auditing and Accounting) Act, 2003
AIA	Association of International Accountants
Anglo	Irish Bank Resolution Corporation Limited (formerly Anglo Irish Bank Corporation Limited/ Anglo Irish Bank Corporation plc)
APB	Auditing Practices Board
ASB	Accounting Standards Board
Authority, the / IAASA	Irish Auditing & Accounting Supervisory Authority
CESR	Committee of European Securities Regulators (see ESMA)
CGU	Cash Generating Unit
CHC	Custom House Capital Limited
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
Complaint	As used in Chapter 3 - includes any expression of dissatisfaction with professional services provided by members/member firms of the PABs and/or with the regulation of accountants by the PABs, whether communicated to the Authority by members of the public or otherwise
Constitutional documents	Refers to the PABs' Charters, Memoranda & Articles of Association, Bye-laws, Rules, Regulations, Codes and Standards
Covered institutions	• Allied Irish Banks, plc. and its subsidiaries AIB Mortgage Bank, AIB Bank (CI) Limited, AIB Group (UK) plc and Allied Irish Banks North America Inc.; • Anglo Irish Bank Corporation plc and its subsidiary Anglo Irish Bank Corporation (International) plc; • The Governor and Company of the Bank of Ireland and its subsidiaries Bank of Ireland Mortgage Bank, ICS Building Society and Bank of Ireland (I.O.M.) Limited; • EBS Building Society and its subsidiary EBS Mortgage Finance; • Irish Life & Permanent plc and its subsidiary Irish Permanent (IOM) Limited; • Irish Nationwide Building Society and its subsidiary Irish Nationwide (I.O.M.) Limited; and • Postbank Ireland Limited.
CPD	Continuing Professional Development
CRO	Companies Registration Office
Department, the	The Department of Jobs, Enterprise & Innovation
DPP	Director of Public Prosecutions
ECs	Enquiry Committees (Section 23)
EEA	European Economic Area
EECS	European Enforcers' Co-ordination Sessions
EGAOB	European Group of Auditors' Oversight Bodies
Enquiry/ies	Enquiry/ies pursuant to the Section 23 Regulations
ESMA	European Securities and Markets Authority (formerly CESR)

EU	European Union
FREDs	Financial Reporting Exposure Drafts
FRS	Financial Reporting Standard
FRSSE	Financial Reporting Standard for Smaller Entities
GAAP	Generally Accepted Accounting Principles
IAS	International Accounting Standard(s)
IASB	International Accounting Standards Board
IBEC	Irish Business and Employers' Confederation
ICAEW	Institute of Chartered Accountants in England and Wales
ICAI	Institute of Chartered Accountants in Ireland
ICAS	Institute of Chartered Accountants of Scotland
ICPAI	Institute of Certified Public Accountants in Ireland
IFIAR	International Forum of Independent Audit Regulators
IFRS	International Financial Reporting Standards
IAA	Individually Authorised Auditor
IIPA	Institute of Incorporated Public Accountants
IL&P	Irish Life & Permanent Group Holdings plc
Irish Annex	Irish Corporate Governance Annex as promulgated by the Irish Stock Exchange
ISAs	International Standards on Auditing
ISE	Irish Stock Exchange
Issuer	An entity coming within the Authority's remit under the Transparency Regulations
KMP	Key Management Personnel
Minister	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 23)
Periodic Financial Reports	Refers collectively to annual and half-yearly financial reports published pursuant to the Transparency Regulations
PIEs	Public Interest Entities
PII	Professional Indemnity Insurance
PQ	Parliamentary Question
RAB	Recognised Accountancy Body
Third country	Non-EU
Transparency Regulations, the	Transparency (Directive 2004/109/EC) Regulations, 2007

GLOSSARY OF TERMS

Section 23 Regulations	Companies (Auditing and Accounting) Act, 2003 (Procedures Governing The Conduct of Section 23 Enquiries) Regulations, 2007 (S.I. No. 667 of 2007)
S.I.	Statutory Instrument
SMEs	Small & medium-sized entities
Statutory Audit Directive	Directive 2006/43/EC
Statutory Audit Directive Regulations	European Communities (Statutory Audits) (Directive 2006/43/EC) Regulations 2010 (S.I. No. 220 of 2010)
Transitional Regulations	European Communities (Transitional Period Measures in Respect of Third Country Auditors) Regulations, 2009 (S.I. No. 229 of 2009).
Transparency Directive	Directive 2004/109/EC
Transparency Rules	Transparency Rules, as issued by the Central Bank of Ireland
UK Code	UK Code on Corporate Governance
1990 Act, the	Companies Act, 1990

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