

2018

# Annual Report

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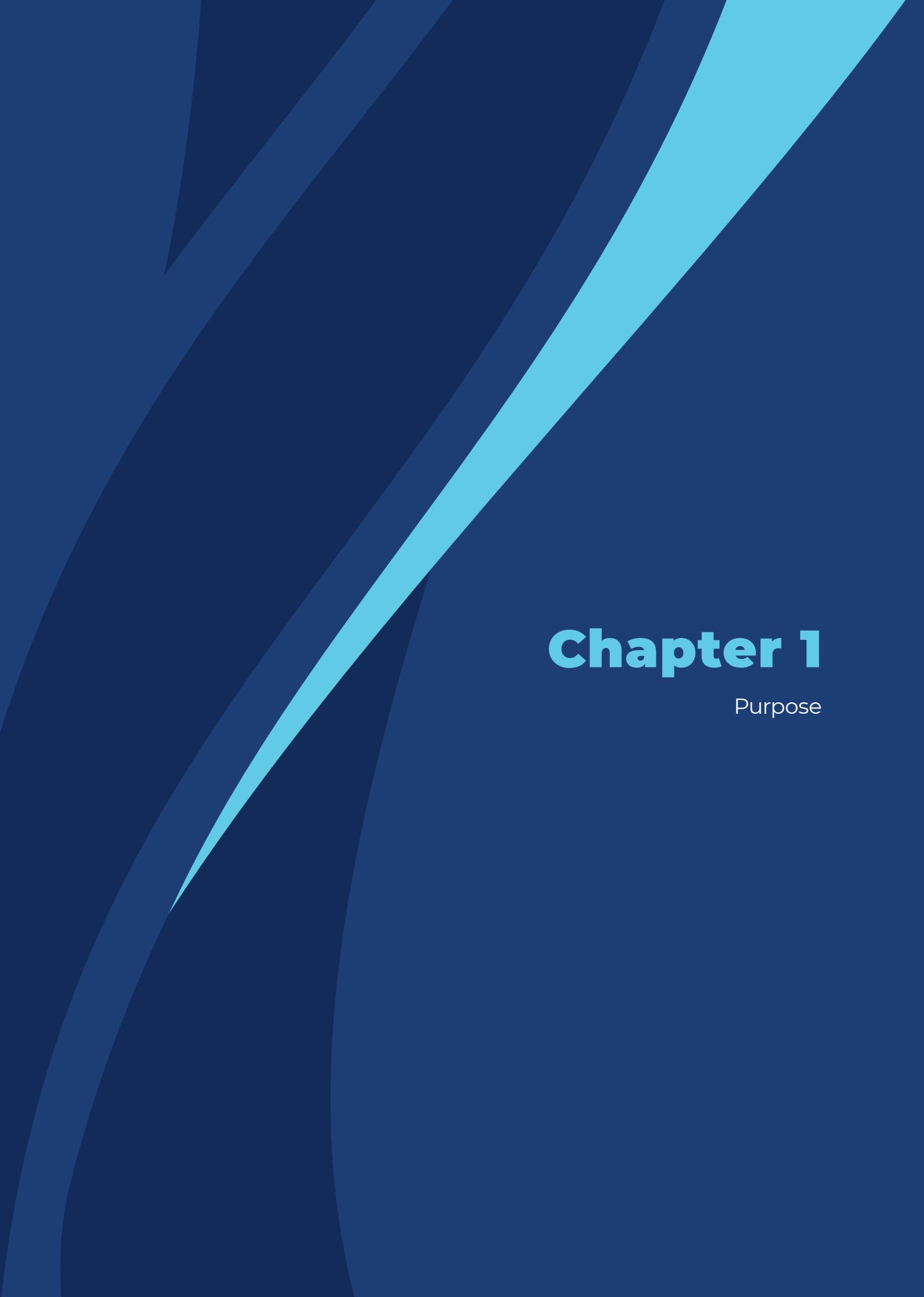
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## **Mission**

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

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# Chapter 1

Purpose

# Chapter 1: Purpose

## 1.1 What we do

IAASA is responsible for the supervision of the accounting profession in Ireland, comprising of 39,049 members of Prescribed Accountancy Bodies ('PABs') in business and practice in the State.

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

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

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

This comprises 102 entities, made up of:

- 32 equity issuers, with a market capitalisation at 31 December 2018 of just under €106bn;
- 57 debt issuers, with gross assets in excess of €261bn; and
- 13 closed-ended fund issuers, with gross assets in excess of €37bn.

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

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

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

## 1.2 Why do we do it

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

## 1.3 What guides us

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

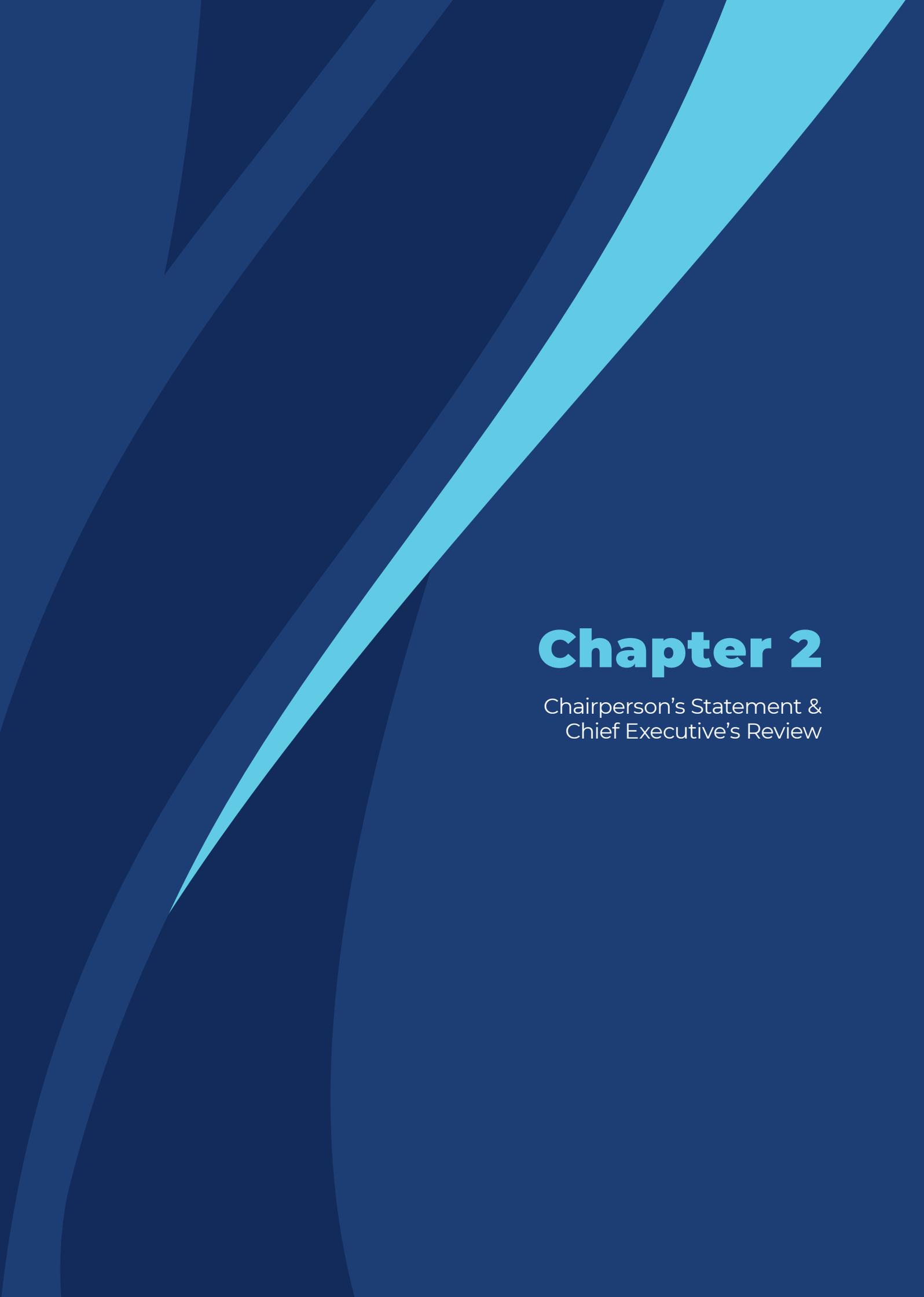
- Public interest
- Independence
- Integrity
- Commitment
- Fairness and consistency
- Effectiveness and efficiency
- Transparency and accountability

## 1.4 Who do we report to

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

## 1.5 What is our budget

IAASA's total expenditure in 2018 was €3.8m, from a budget of €5.9m. The most significant areas of underspend were in payroll and related costs due to ongoing difficulties in attracting additional suitably qualified staff.

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# Chapter 2

Chairperson's Statement &  
Chief Executive's Review

# Chairperson's Statement

### Introduction

This is IAASA's ('the Authority') thirteenth Annual Report. It is with pleasure that I submit it to the Minister for Business, Enterprise & Innovation ('the Minister'), in accordance with section 928(1) of the Companies Act 2014 ('the Act'). The Chief Executive's Review summarises the principal activities undertaken by the Authority during 2018 to fulfil its mission. The remainder of this Report gives details of this work. In my Statement, I would like to focus on key developments affecting IAASA both now and into the future.

### Governance

As I noted in my 2017 Statement, last year the Board began a review of its governance structures. This was driven by the reduction in the size of the Board in recent years from 15 to nine, which coincided with an expansion of the Authority's responsibilities due to the implementation of the EU Audit Directive. In particular this has led to the Authority taking on additional responsibilities in direct oversight of Public Interest Entity auditors and in the conduct of investigations and enquiries. The Board completed that review during 2018, and implemented a revised Schedule of Matters Reserved to the Board focusing on governance, finance, risk and oversight. Board meetings have also been re-structured to focus on strategic risks and oversight of the Executive. This revised process had been fully implemented by the end of the year.

The Board also undertook a review of its own performance, facilitated by an external professional, the outcomes of which were also reflected in the revised governance structure. And finally the Board has engaged in separate training and strategy days in addition to its regular Board meetings.

### Future developments in audit oversight

While the main part of this Report sets out how the Authority has fulfilled its statutory remit during 2018, there are significant changes in how oversight will operate in future. I want to highlight some of these changes that will be particularly impactful.

The most significant change that is coming in audit oversight is the publication of the outputs of those inspections. The Authority undertook to publish the results of the second round of its inspections, and it maintains the intent to do so. It is estimated that these publications will be available from early 2020. The purpose behind arranging the

process in this way was to allow all firms the opportunity to adjust to the new regulatory regime prior to the results of that regime being made public. It is the Authority's view that transparency plays a key role in enhancing both public trust in the profession and the capacity of companies and audit committees to make informed choices in selecting their auditors. The Authority is committed to playing its part in providing that transparency.

### The Companies (Statutory Audits) Act 2018 ('the 2018 Act') and the Recognised Accountancy Bodies

As detailed in this Report, the 2018 Act, which introduced a new Part 27 to the 2014 Act on audit, was enacted and commenced during 2018. While much of the 2018 Act transposed previously existing secondary legislation, there were some significant changes. One of those changes was to the relationship between the Authority and the Recognised Accountancy Bodies ('RABs'). These bodies, who may register members as statutory auditors, continue to have specific tasks delegated to them in law, but subject to ultimate responsibility resting with the Authority. Such tasks include approval/registration, continuing education, quality assurance, investigation and discipline, and the setting, monitoring and enforcement of appropriate standards. The requisite regulatory and enforcement powers have now been assigned to the Authority under the 2018 Act. Shortly after the commencement of the 2018 Act, the Authority wrote to the RABs asking them to set out how they have taken steps to comply with their obligations. It has also set out general guidelines for the RABs when performing these regulatory functions. And towards the end of the year the Authority issued guidance on the specific area of examination exemptions. The Authority will continue to work with the RABs to ensure that this work for which they have statutory responsibility is carried out effectively and in the public interest.

### Brexit

The Authority began its preparations for Brexit shortly after the triggering of Article 50 by the UK Government, and those preparations increased in pace during 2018. The two key public engagements on Brexit were the paper published by the Authority in March and also the conference hosted by the Authority in October. That conference, which was attended by approximately 150 interested parties, featured speakers including the Minister, the President of Chartered Accountants Ireland, and the Chief Executive. This was the first such event hosted by the Authority.

## Chapter 2: Chairperson's Statement & Chief Executive's Review

These two actions were accompanied by wide ranging engagement and discussion with a range of parties both domestically, in the UK and also the EU. The Board has Brexit as a standing agenda item at its meetings and the Authority continues to press ahead with preparations for the UK's departure from the EU. At the time of writing the outcome of the UK Brexit process is very much unclear. Nevertheless, the Authority has made every effort to ensure that it is best placed to deal with whatever challenges arise in that context.

### UK developments

The Board has monitored the developments in the UK, noting the criticisms of the UK audit regime and the proposals set out in the *Independent Review of the Financial Reporting Council*, ('the Kingman Report'). That report, along with a separate report issued by the UK Competition and Markets Authority, was published just before the year end. Due to the close relationship between the UK and Irish audit markets the Authority considered these reports in detail. The Authority notes the main suggestions for the restructuring of the UK regulator so that it is formally established under statute with specific regulatory obligations and a smaller Board. This mirrors the structure already in place in Ireland, with IAASA being so structured. Nevertheless the Authority will continue to study both reports to identify whether any of its recommendations are relevant in an Irish context.

### Board changes

2018 saw the departure of two of our long standing Board members, Deirdre Behan and Marie Daly. Deirdre and Marie gave extensive service to the Authority. Indeed Marie was the last member of the Authority's original Board. On behalf of my Board colleagues, I would like to express my gratitude to both of them for the outstanding contribution they have made to the Authority during their tenures. Marie's departure marked the end of IBEC's representation on the Board, in line with changes in the Act reducing the size of the Board. The Revenue Commissioners remain a nominating body, and on their nomination the Minister appointed Caitriona Crowley to the Board in January 2018.

### Concluding remarks

As is evident, 2018 was another year of change and challenge for the Authority. The Authority has responded to those challenges and is, in the view of the Board, well placed to continue to do so. I wish to express my thanks, and those of the entire Board, to the Chief Executive, his senior management team, and all of the staff of the Authority for the tireless work they have put in over the past year. I also wish to express my appreciation to the Minister and all of her staff who have greatly assisted the Authority in carrying out its work. I believe that the Authority continues to provide outstanding service in the uncertain and continuously changing environment in which it operates.

Martin Sisk  
Chairperson

30 April 2019

# Chief Executive's Review

### Introduction

The purpose of this report is to provide an overview of the activities of the Authority in 2018. IAASA carried out a range of different regulatory roles as set out in detail in the body of this Report. During 2018 this work was impacted most significantly by two events, the passing into law of the 2018 Act, and the decision by the United Kingdom to leave the European Union. My review sets out some of the significant achievements of the Authority during 2018 while also noting the impact of these on the Authority's work.

### Key activities

During 2018 the Authority completed 39 examinations of issuers' financial reports, with a further six in progress at the year end. Staff also completed four thematic reviews on Bank Covenants, Income Tax reporting, Business Combinations and the impact of IFRS 15 on Revenue from Contracts with Customers. The results of these reviews are published to provide useful information to both preparers and readers of financial statements. Key issues which arose in the context of the Authority's reviews included the presentation of items in the Income Statement and the use and prominence of Alternative Performance Measures. Both of these have the potential to undermine the key financial results of an entity. At European level these issues have also given rise to debate, and the Authority has contributed actively to that debate. As discussed in more detail in the context of Brexit, the Authority has placed representatives on a number of Working Groups established by the European Securities and Markets Authority's ('ESMA') Reporting Steering Committee, including one on Narrative Reporting which is actively examining Alternative Performance Measures.

By the end of 2018 the Authority had carried out inspections into all nine of the audit firms that carry out statutory audits of Public Interest Entities ('PIEs') and accordingly fall under its remit. It has also undertaken a further joint inspection with the US regulator, the PCAOB. The relationship with our US counterpart is working well and we look forward to regular engagement in the future.

I noted last year that in general the level of audits inspected had been good. However as a result of our work in 2018 we identified a higher number of findings, relating to both internal firm quality and also to a selection of audits. It is important to note that many of these findings can be resolved through the Authority issuing recommendations, and also that those issues do not in themselves undermine

the audit opinion.

Two audits from the same firm were referred by the Audit Quality Team for investigation. This reflects serious concerns about those audits, and they are the first such referrals under the Authority's direct inspection regime. They will be considered by the Authority under its current Investigation Regulations.

The Audit Quality Team has now commenced the second round of inspections of PIE audit firms. The quality control systems of all firms will be inspected in full over the course of the second round. A higher proportion of individual audits will also be inspected, as such, firms with a higher number of PIE audits will receive a higher proportion of the inspection effort. The selection approach is based on a risk assessment matrix that drives the Authority's inspection schedule. This matrix is now being informed by the output from our first round of inspections. There are also changes within the PIE audit environment, with market concentration reducing. These changes will impact on the number of audits inspected in each firm and the timing of the inspections.

Last year I referred to the arrangement being put in place that allowed members of IIPA to transfer to another RAB, CPA Ireland. Following completion of this process, in January 2018 the IIPA submitted an application requesting the revocation of its recognition as a RAB. Accordingly, and once the Authority had satisfied itself that there had been an orderly transition and there were no outstanding regulatory matters, it revoked IIPA's recognition in March 2018. This was the first time such a process has been undertaken in relation to a RAB since the Authority assumed responsibility for recognition in 2006. This revocation also annulled the IIPA's status as a PAB.

In undertaking the Authority's supervision of the remaining PABs, five visits were concluded in 2018, covering licensing, quality assurance, and investigation and discipline. Arising from those visits, all five PABs have been issued with recommendations for improvements across the respective regulatory functions. Part of the Authority's responsibilities include approving the constitutional documents of the prescribed bodies, and 42 such documents were approved in 2018. On auditing standards, the Authority has devised a work programme to guide it in the development of standards and guidance, and in 2018 a Technical Advisory Panel was established to support the Authority in its work. Our work on the registration of Category 5 liquidators was also substantially completed by the end of the year.

## Chapter 2: Chairperson's Statement & Chief Executive's Review

The 2018 Act was signed into law on 21 September 2018. It sets out additional powers for the Authority in respect of its RAB oversight and audit enforcement functions. Preparation for the enactment of the 2018 Act took place throughout the year, with meetings and engagement with the RABs to ensure that all parties were fully informed and prepared. Arising from the revised enforcement powers to be conferred by the 2018 Act, work continued on the development of our Conduct function, with the creation of new processes and procedures, and the drafting of the relevant Statutory Instruments to update our current procedures, now underway.

The United Kingdom's proposed departure from the European Union will bring about significant change to the structure of the profession in these islands. Historically there has been mutual recognition of members of four of the RABs across both the United Kingdom and Ireland. As audit is an EU competency, this will impact auditors both here and in the UK. The Authority has been preparing for the impact of Brexit throughout 2018, albeit that the precise nature of that impact has been somewhat unclear. Some clarity was brought by the advice of the Attorney General, as communicated by the Department and announced at the Brexit conference hosted by the Authority in October 2018. Nevertheless considerable challenges remain and at the time of writing the nature of Brexit itself is impossible to determine.

Partly in response to Brexit, the Authority took a strategic decision in 2018 to expand its representation on relevant EU and international fora. Staff are now members of eight committees under the auspices of ESMA's Corporate Reporting Steering Committee, including the CRSC itself. On Audit inspection, staff are on 14 separate committees as part of CEAOB, and a further two as part of the global audit regulation forum IFIAR. As the English language is the primary language of international financial reporting and auditing standards, the Irish presence at the EU level in particular will become more important. IAASA also continuously engages with its wider stakeholder base. This includes meetings, presentations and also a wide range of publications as set out in Appendix 4 to this report.

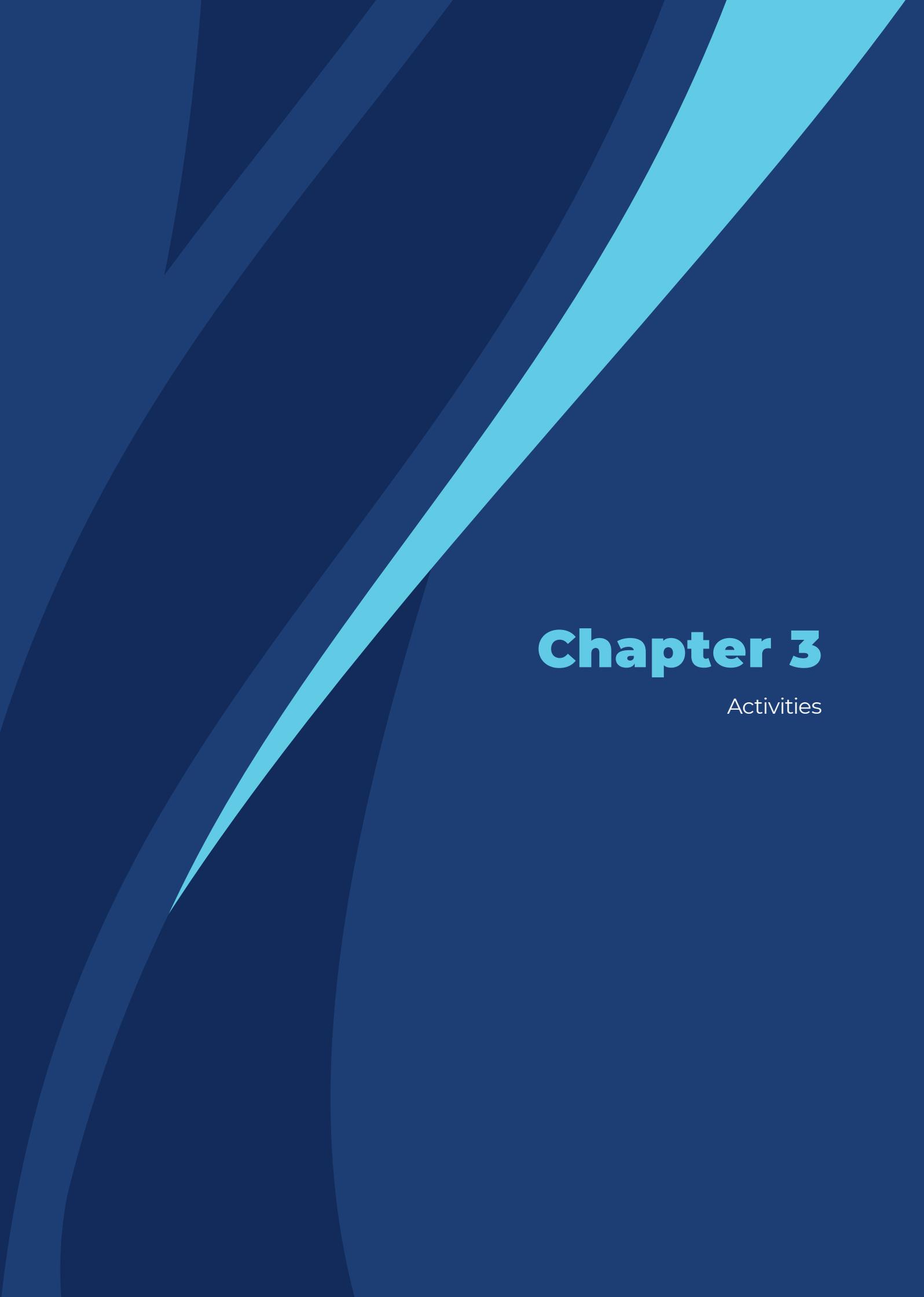
### Concluding remarks

The above is only a snapshot of the activities undertaken by the Authority during 2018. As a small regulator our remit asks an enormous amount of our staff. Their dedication and commitment to fulfilling the Authority's mission is exceptional, and I am deeply grateful for that commitment. I would also like to express my appreciation for the support of the Chairperson and the Board during the year. As the Authority addresses the challenges ahead both that commitment and that support will continue to be vital.

**Kevin Prendergast**  
*Chief Executive*

30 April 2019

## **Chapter 2:** Chairperson's Statement & Chief Executive's Review

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# Chapter 3

Activities

## Chapter 3: Activities

### 3.1. Introduction

#### 3.1.1. Work Programme

IAASA is required under section 910 of the Act to prepare and submit a three year work programme to the Minister. The Authority prepared its current plan for the years 2017–2019, and this is available on the IAASA website. The plan sets out IAASA's key strategies, activities and related outputs for the duration of the programme. It also analyses the staff, resources and expenditure in the context of the plan.

#### 3.1.2. Strategies

The Authority's strategies are as follows:

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

#### 3.1.3. Goals

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

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

#### 3.1.4. Business Plan

The Authority uses the Work Programme as a guide to prepare its annual Business Plan, setting out key objectives for the Authority. These key objectives, and how the Authority has set out to achieve them, are set out in the remainder of this Chapter.

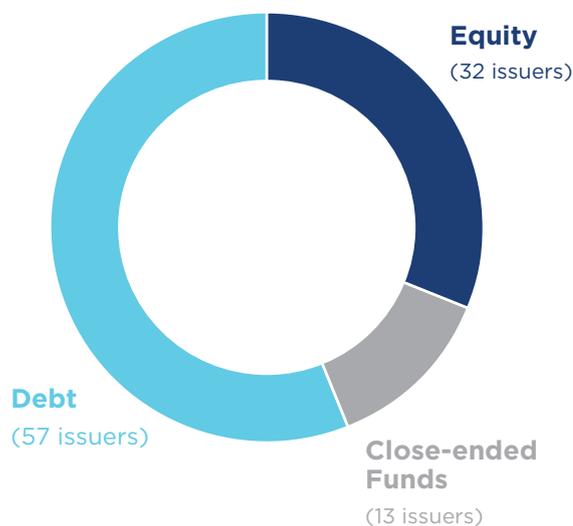
### 3.2. Supervision of Financial Reporting Quality

#### 3.2.1. Purpose

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

At 31 December 2018, the known financial reporting examination constituency comprised 102 (2017: 107) issuers made up of 32 equity issuers, 13 closed-ended fund issuers and 57 debt issuers.

**Table 3.1: Financial reporting examination constituency at 31 December 2018**



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

- (a) **Unlimited scope examination of financial information** – the evaluation of the entire content of the financial information in order to identify issues / areas that need further analysis and to assess whether the financial information is compliant with the relevant financial reporting framework;
- (b) **Focused examination of financial information** – the evaluation of pre-defined issues in the financial information and the assessment of whether the financial information is compliant with the relevant financial reporting framework in respect of those issues;
- (c) **Follow-up examination of actions** – ensuring that appropriate improvements are made to financial reports where the issuer has previously given an undertaking to IAASA to amend future reports;

## Chapter 3: Activities

- (d) **Thematic examination of financial information** – the evaluation of financial reporting practices adopted by a range of issuers in respect of one or more financial reporting matters. These examinations are desk-based and limited to examining publicly published information without issuer engagement; and
- (e) **Topical surveys** – these surveys, mandated by ESMA, comprise the examination of the financial reporting treatments applied by selected issuers based on parameters set by ESMA. These surveys are also desk-based and limited to examining publicly published information without issuer engagement. If, as a result of its findings from these surveys, IAASA subsequently engages with an issuer, that subsequent engagement is designated as a separate unlimited scope examination or focused examination as appropriate.

### 3.2.2. Significant developments

During 2018 IAASA completed 39 (2017: 34) examinations with a further six (2017: seven) examinations in progress as at 31 December 2018. IAASA submitted six issues to the EECS decisions database. A full list of issuers examined during the year is set out in Appendix 2.

The more common areas raised with issuers in 2018 examinations were financial reporting treatments arising from the application of IAS 1 *Presentation of Financial Statements*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 13 *Fair Value Measurement*, IFRS 3 *Business Combinations*, the “ESMA Guidelines on Alternative Performance Measures” (‘APMs’), and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The level of IAS 1 related matters raised with issuers indicates continuing concerns regarding issuers’ presentation of items in their financial statements. IAASA continues to ensure convergence of enforcement decisions with our European accounting enforcers’ views by considering relevant European decisions and submitting selected topics for debate at EECS prior to our finalising enforcement decisions.

### *Significant themes for equity issuers*

Significant topics arising in the 2018 examination programme were:

- IAS 1 related matters indicating continuing concerns regarding issuers’ presentation of items in their financial statements and, in particular, presentation of items in the Income Statement;
- the use of APMs by issuers including the prominence attached to such measures as compared to IFRS-based measures; and
- disclosure of the expected impact of new financial reporting standards (e.g. IFRS 16) particularly in half-yearly reports.

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

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

The quality of financial reporting by these issuers varies considerably ranging from high quality downwards; disappointingly, there remains a cohort of these issuers which consistently present lower quality financial statements. IAASA will continue to examine the financial statements of selected debt and closed-ended fund issuers presenting lower quality financial statements and engage with those issuers to secure improvements in future reports. IAASA is investigating the most effective manner in which to achieve improvements in such reports with the issuers concerned.

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

Issuers falling within IAASA’s financial reporting review remit amount to approximately 2% of total EU IFRS issuer population subject to enforcement, however, IAASA has contributed 9.7% of the decisions submitted to the EECS database in the years 2016–2018; in absolute terms, Ireland ranks number 3 in terms of decisions submitted over that three year period.

### *Thematic examinations conducted on equity issuers’ during 2018*

IAASA undertook four thematic reviews during 2018 as follows:

Description	Rationale
<b>Bank Covenants – Thematic Review</b>	The disclosure of financial ratios and terms agreed with the lenders is relevant information for the users of financial reports and particularly so in the case of entities in a vulnerable financial position
<b>Information Note: Corporate Income Tax Reporting by Irish Issuers</b>	Topical issue in the context of <i>Brexit</i> , tax reforms in the USA and international tax developments including base erosion and profit shifting (BEPS)
<b>IFRS 3 Business Combinations – Thematic Review</b>	Topical issue in a growing economy undertaken to encourage discussion and stimulate debate on issuers’ business combinations disclosures
<b>IFRS 15 Revenue from Contracts with Customers – Thematic Review</b>	Impact of new financial reporting standard in first period of implementation

## Chapter 3: Activities

### Training

IFRS 9 and IFRS 15 are applicable to issuers' 2018 reports and, therefore, will be subject to enforcement in 2019. IFRS 16 Leases is effective for 2019 reports and therefore will be enforceable in issuers' 2019 half-yearly reports. To meet these challenges, IAASA has taken a number of steps to be prepared for their adoption including:

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

### 3.2.3. Activities arising from Business Plan

Business Plan Objectives	Outcomes
<b>Conduct annual programme of examinations of financial reports</b>	IAASA completed 39 (2017: 34) examinations of annual and half-yearly financial reports in 2018. It also undertook four thematic examinations and seven ESMA topical surveys
<b>Engage with directors to secure improvements, and take action where warranted</b>	18 (2017: 13) issuers provided 134 (2017: 53) undertakings in respect of future financial reports
<b>Develop best practice methodologies for review process</b>	IAASA re-evaluated the operation and suitability of the risk scoring matrix and further developed the determination of risk factors used in that matrix to assign risk scores to issuers to aid in our allocating limited resources to those areas meriting greatest focus
<b>Engage effectively with the Authority's regulatory stakeholders</b>	<p>IAASA submitted two emerging issues and four decisions to the EECS decisions database. It presented all six issues for discussion</p> <p>IAASA presented three papers to EECS in the year</p> <p>IAASA has a representative on the following EECS working groups:</p> <ul style="list-style-type: none"> <li>• CRSC Narrative Reporting Working Group</li> <li>• Financial Institutions Task Force</li> <li>• IAS 12 <i>Deferred Tax Asset</i> sub-group; and</li> <li>• Task Force on ESMA Guidelines on Enforcement of Financial Information</li> </ul> <p>IAASA also attends the quarterly meetings of ESMA's CRSC to which EECS reports</p> <p>IAASA is an active participant in the EECS Agenda Group</p> <p>IAASA also acts as an observer at the Corporate Reporting Council of the FRC</p>
<b>Engage in advocacy activities with IAASA's wider stakeholders</b>	<p>IAASA published 14 (2017: 21) financial reporting decisions on its website</p> <p>IAASA published 9 (2017: 11) reports and other publications including publication of the results of four thematic surveys on financial reporting matters</p> <p>IAASA staff contributed one article on financial reporting matters to relevant publications</p> <p>Authority staff held face-to-face meetings with representatives of all of Big 4 audit firms on financial reporting issues during the year</p>

## Chapter 3: Activities

### 3.3. Supervision of Audit Quality

#### 3.3.1. Purpose

IAASA's Audit Quality Unit is responsible for the quality assurance of PIE auditors. At 31 December 2018, there were nine (2017: nine) PIE auditors, auditing approximately 750 (2017: 850) PIEs.

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

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

IAASA has implemented the Common Audit Inspection Methodology ('CAIM') for assessing the internal quality control systems of PIE audit firms. The CEAOB is responsible for the maintenance and development of CAIM. IAASA has also developed a suite of working papers for the assessment of individual audits of PIEs.

#### 3.3.2. Significant developments

##### *Inspections*

The Authority commenced its inspection regime under the Audit Reform legislation in late 2016 and continued the first round of inspections in 2017 and 2018. As noted above, there were nine PIE audit firms in Ireland in 2017 and 2018. These include what are commonly known as the Big 4 auditors; Deloitte, EY, KPMG and PwC. The Big 4 audit approximately 84% (2017: 95%) of the PIEs in Ireland, earning approximately 95% (2017: 98%) of the PIE audit fees. Given that one of the aims of the European Audit Reform legislation is to increase competition in the audit market, this reduction in concentration is a positive development.

The Authority noted in 2017 that, based on the inspections carried out on Big Four firms in 2016 and 2017, the standard was generally high. By comparison, the Authority identified a notably higher number of findings in audit inspections carried out in 2018. These findings were noted both in the internal quality control systems of the firms and in the individual audit inspections. In the majority of cases, these matters can be resolved by the implementation of recommendations issued by IAASA. Furthermore, in the majority of cases, the firms have engaged well with

the process and are fully committed to implement the recommendations. In these cases, the Authority is not concerned about the sufficiency of audit work and evidence supporting the audit opinions.

Two audits completed by the same audit firm were referred for investigation during 2018. IAASA highlights that the Authority does not re-perform audit procedures or seek to determine whether there are issues with the financial statements. As such, there should be no inference that the financial statements of these entities are misstated. For these audits, the inspection team issues recommendations in the usual manner, which are required to be implemented within twelve months. The inspection team will perform follow-up visits to review implementation. In the case of one firm, the Authority expanded the number of audits inspected in response to issues identified. Finally, audit firms with matters referred for investigation are given a higher risk weighting and visit schedules and sample sizes will be impacted accordingly.

##### *International Agreements*

On 5 June 2018, the Authority announced that it had entered into a memorandum of Understanding ('MOU') with the Jersey Financial Services Commission ('JFSC'). The purpose of the MOU was to facilitate mutual cooperation between IAASA and the JFSC, to the extent permitted by their respective national laws, in the area of public oversight, inspections and investigations of auditors subject to the oversight of both Bodies. IAASA conducted one referred audit engagement review from the JFSC in 2018.

Further to the agreement entered into with the United States audit regulator in 2017, a joint inspection of one audit firm took place with the PCAOB in late 2018.

##### *International Cooperation*

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

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

In keeping with its commitment to international cooperation, IAASA continued to act as chair for the CEAOB Market Monitoring sub-group and in 2018 also became a member of the organising committee of the inspections sub-group.

## Chapter 3: Activities

### 3.3.3. Activities arising from Business Plan

Business Plan Objectives	Outcomes
<b>Carry out inspection regime</b>	<p>Fieldwork on the first round of inspections was completed in 2018. In addition, a joint inspection was carried out with the PCAOB and an inspection was completed following referral from the JFSC.</p> <p>A consultation was issued in late 2018 regarding the proposed system for grading and publication of the results of audit inspections for round two of the inspections.</p>
<b>Develop and refine inspection methodology</b>	<p>IAASA has implemented the CAIM for assessing the internal quality control systems of PIE audit firms.</p> <p>In addition, IAASA has developed and continues to refine a suite of work papers for the assessment of individual audits, taking into account the specificities of particular auditing standards as well as any relevant matters relating to the entity type or industry.</p>
<b>Engage effectively with our peers and stakeholders</b>	<p>IAASA actively participated in the CEAOB market monitoring, equivalence and adequacy, enforcement, standards and inspections sub-groups during 2018 and is now a member of the CEAOB organising committee.</p> <p>Presentations were made to a number of stakeholders including audit firms, industry forums, PIE audit committee chairpersons.</p> <p>IAASA issued a number of consultations during the year and continues to engage informally with stakeholders on matters as requested.</p> <p>IAASA issued responses to various audit related consultations both individually and contributed to development of responses by CEAOB.</p>

## 3.4. Supervision of the Auditing and Accountancy Profession

### 3.4.1. Purpose

IAASA's principal functions relating to the supervision of the accountancy profession are to:

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

A PAB is an accountancy body that comes within IAASA's supervisory remit. At 31 December 2018, there were eight PABs:

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

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

At 31 December 2018, five of the eight PABs were also recognised as RABs i.e. ACCA, CPA, ICAEW, ICAI and ICAS. Details of the bodies' membership, student numbers, public practice profiles and their regulatory activities during the year are set out in a separate publication *Profile of the Profession 2018*, which will be available on the IAASA website.

## Chapter 3: Activities

### 3.4.2. Significant developments

#### *Brexit*

In March 2018, following extensive engagement with stakeholders and analysis of the relevant legislation, the Authority published *Brexit and its potential impact on Audit and Accountancy*. This paper set out the challenges that the profession were perceived at that time to be facing as a result of the decision of the United Kingdom to exit the European Union on 29 March 2019. The purpose of the paper was to stimulate both discussion and preparation for that event. During 2018 the Authority continued to engage with all stakeholders, including the Department, the RABs, the larger audit firms and its UK counterpart, the FRC.

Following on from this engagement, and in the context in particular of a request for clarification of the legal implications of Brexit addressed to the Department, the Authority hosted a Brexit conference in October. The keynote speaker at the conference was Heather Humphreys TD, Minister for Business, Enterprise & Innovation. At that event the Chief Executive informed those in attendance of the advice communicated by the Department, following engagement with the Attorney General, that UK based auditors regardless of their RAB's location would cease to be Irish statutory auditors after the United Kingdom left the EU. Following this announcement the Authority has continued to engage with stakeholders to clarify how this withdrawal will operate in practice.

Throughout 2018 the Chief Executive also participated in Brexit coordination meetings held by the Department to which all relevant Agencies were invited.

#### *Revocation of the recognition of IIPA*

As explained in the Authority's 2017 Annual Report, CPA and the Institute of Incorporated Public Accountants ('IIPA') entered into an arrangement whereby most members of IIPA transferred to CPA on 1 September 2017 and came under CPA's regulation and supervision with effect from that date.

The IIPA subsequently made an application to the Authority for revocation of its recognition as a RAB. Having satisfied itself as to the orderly transfer of IIPA members to CPA and that the IIPA was no longer discharging any regulatory tasks in respect of accountants or auditors, the Authority revoked the recognition of the IIPA with effect from 16 March 2018.

This means that IIPA cannot authorise individuals or firms as statutory auditors in Ireland or undertake any audit related regulatory functions. By virtue of the revocation of its recognition, IIPA is no longer a prescribed accountancy body under the Act and therefore, no longer comes under the remit of the Authority.

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

The Companies (Statutory Audits) Act 2018 ('the 2018 Act') was commenced on 21 September 2018. The 2018 Act provided the Authority with additional powers in respect of its audit oversight remit. It also deemed the RABs to be recognised by the Authority for the purposes of the Act and continues the model of direct performance of the regulatory tasks by the RABs with oversight by the Authority. Those tasks are licensing and registration, quality assurance, CPD and investigation and discipline of statutory auditors, except those in relation to PIE audits that are performed directly by IAASA.

During the year, IAASA staff liaised with both the Department and RABs to assess the impact of the 2018 Act's provisions on the overall regulatory framework for the oversight of auditors and to plan for enactment. Arising from the commencement of the 2018 Act, during 2018 the Authority:

- wrote to the Chief Executive of each of the RABs setting out the primary obligations on the RABs following the commencement of the 2018 Act and requesting the provision of certain information regarding their compliance with those provisions;
- retained the conditions attached to the RABs' recognitions by the Authority prior to 21 September 2018 and removed the pre-IAASA conditions with effect from 1 November 2018;
- issued General Guidelines to the RABs which are effective from 1 April 2019; and
- Issued Exemptions Guidelines to the RABs which are effective from 1 April 2019.

#### *Supervisory visits and desktop reviews*

Given the level of reliance placed by various stakeholders on the work performed by PAB members, particularly those engaged in audit, it is essential that the PABs have robust and efficient systems in place to ensure the effective supervision of their members. One of the principal methods by which the Authority assesses the PABs' regulatory processes is by means of on-site supervisory visits and thematic desktop reviews.

IAASA concluded five (2017: three) supervisory visits during the year (Appendix 3 refers). Four of these visits reviewed the RABs' quality assurance systems for audit firms, two of those also considered audit licensing and one visit focused on a PAB's investigation and disciplinary arrangements.

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

## Chapter 3: Activities

supervisory visit reports.

### 3.4.3. Activities arising from Business Plan

Business Plan Objectives	Outcomes
<b>Supervision of the PAB's regulatory activities</b>	<ul style="list-style-type: none"> <li>IAASA revoked the recognition of IIPA following the orderly transfer of IIPA members to CPA.</li> <li>Five (2017: four) supervisory visit reports were issued to the PABs in 2018 covering quality assurance systems, investigation and disciplinary arrangements and audit licensing.</li> </ul>
<b>Oversight of the RABs' functions in respect of statutory auditors</b>	<ul style="list-style-type: none"> <li>Supervisory visits noted above covered audit quality assurance as well as licensing.</li> <li>Periodic meetings were held with the RABs on regulatory matters, following which action points were issued and their progress monitored.</li> <li>IAASA had regular engagement with the FRC in relation to the RABs within our common remit.</li> <li>The 2017 Annual Audit Programme and Activity (AAPA) Report was published in April 2018.</li> </ul>
<b>Supervision of the Accounting Profession</b>	<ul style="list-style-type: none"> <li>A total of eight (2017: 17) review meetings with PAB representatives took place during the year.</li> <li>42 (2017: 36) new or revised PAB constitutional documents were approved.</li> <li>22 (2017: 25) complaints relating to PABs and their members were dealt with and responses provided to 184 queries from a range of stakeholders.</li> </ul>
<b>Prepare for revised oversight model and other environmental changes</b>	<ul style="list-style-type: none"> <li>Ongoing engagement with DBEI in respect of the Companies (Statutory Audits) Bill (now an Act).</li> <li>Two sets of guidelines finalised and issued.</li> <li>Engagement with the RABs in respect of the commencement of the 2018 Act.</li> <li>Contribution to the Authority's preparations for Brexit and its audit implications.</li> <li>Engagement with the Department, the FRC and the relevant UK Government Department in relation to Brexit implications for audit.</li> </ul>
<b>Engage effectively with stakeholders and continue to enhance the quality of relationships with them</b>	<ul style="list-style-type: none"> <li>IAASA liaised with the FRC regarding the four RABs within common supervisory remit (ACCA, ICAEW, ICAI, ICAS).</li> <li>Based on information supplied by the PABs, IAASA published the Profile of the Profession 2017.</li> <li>IAASA also engaged with the Department on a regular basis.</li> </ul>

## 3.5. Other Functions

### 3.5.1. Auditing Framework

The Auditing Framework for Ireland is based on the FRC Auditing Framework for the UK, which in turn is based on the international standards issued by the IAASB. This policy is kept under review on an ongoing basis to ensure it remains the most effective and efficient solution for the Irish market. In addition, IAASA issues supplementary standards and guidance relevant to Ireland to support the work of statutory auditors in Ireland.

IAASA has observer status at the Audit and Assurance Council of the FRC and monitors developments in auditing standards both at FRC and international level on a continuing basis. Revised standards, reflecting Irish requirements, are issued to ensure the Auditing Framework in Ireland continues to reflect international best practice. Where the changes are substantive, a public consultation on the draft standard is issued prior to amendment of the Auditing Framework.

A Technical Advisory Panel was appointed during the year to advise the Authority at various stages of the development process of the Auditing Framework in Ireland, including:

- identifying areas where standards or guidance are needed;
- advising on any Irish specific amendments; and
- drafting of standards and guidance.

## Chapter 3: Activities

### 3.5.2. Conduct

#### Conduct Unit

The Authority worked extensively on preparations for the new powers of investigation and enquiry that were eventually assigned to it under the 2018 Act. Subsequent to its enactment, work was commenced on the processes and procedures that will be necessary for the Authority's powers. These will need to be legislated for by Statutory Instrument and that drafting process was ongoing at the year end.

#### Statutory Enquiries

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

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

	Preliminary Enquiry Stage	Full Enquiry Stage	Total
Enquiries ongoing at 1 January 2018	1	-	1
New enquiries initiated during the year	-	1	1
Enquiries completed during the year	(1)	(1)	(2)
<b>S.933 enquiries ongoing at 31 December 2018</b>	-	-	-

Following the completion of a preliminary enquiry and the subsequent completion of a full enquiry under Section 933 of the Act, the Authority concluded that it was not satisfied that CPA Ireland had complied with its approved investigation and disciplinary procedures. Consequentially, it annulled a decision of CPA Ireland and directed that a fresh investigation be carried out.

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

## Chapter 3: Activities

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

	Preliminary Investigation Stage	Full Investigation Stage	Total
Investigations ongoing at 1 January 2018	-	-	-
New investigations initiated during the year	1	-	1
Investigations completed during the year	-	-	-
<b>5,934 investigations ongoing at 31 December 2018</b>	<b>1</b>	<b>-</b>	<b>1</b>

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

### 3.5.3. Liquidators

During 2018 the Authority implemented its process for the registration of certain liquidators under section 633 of the Act (“Category 5 liquidators”). The Authority received 26 applications, of which one was later withdrawn. 21 applications were approved and are listed on a register on the IAASA website. Of the four who were refused, three sought to appeal and those appeals were under review by an appeals committee at the year end.

### 3.5.4. Other activities

#### Training and Development

In 2018 the Authority continued to provide staff with educational opportunities through a range of supports. As well as CPD for all professional staff, the Authority also

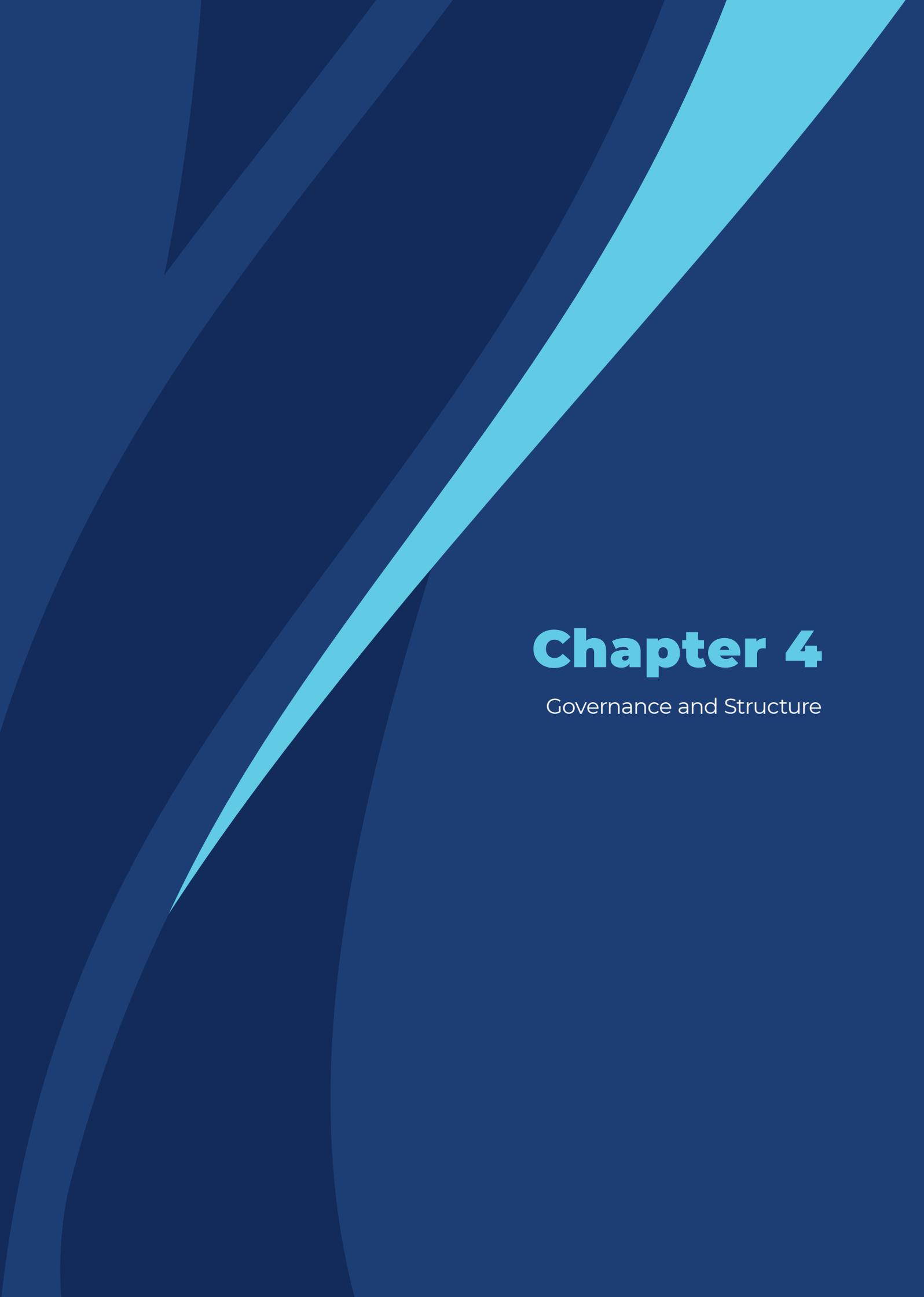
funds staff engaging in longer term courses which develop and enhance their skills. There is a particular challenge in accessing training relevant to the Authority’s regulatory activities. Accordingly the Authority carries out much of its learning through in-house sessions. These are now augmented through a learning team made up of staff from across the Authority. Staff are also actively encouraged to participate in international groups and committees as part of their professional development.

#### Finance and Administration

The Authority put in place long overdue support for its Finance and Administration Team in 2018. As well as expanding its finance team, the Authority also now has dedicated internal IT staffing. This will enhance the technical capacity of the Authority.

### 3.5.5. Activities arising from Business Plan

Business Plan Objectives	Outcomes
<b>Develop Auditing Framework</b>	<p>During the year, IAASA published a Statement on Scope and Authority of Audit and Assurance Pronouncements, which provides more detail on the Auditing Framework in Ireland.</p> <p>In addition, a feedback paper outlining IAASA’s response to the views expressed in response to the consultation on guidance and supplementary standards was issued.</p> <p>Through its observer status at the Audit and Assurance Council of the FRC and participation in the International Auditing Standards sub group, IAASA monitors developments in auditing standards. Following public consultation, where appropriate, IAASA issues revised standards reflecting such changes as well as national requirements for use in the Irish market. Appendix 4 lists the publications issued by IAASA in 2018, including revisions to and updating of the Auditing Framework in Ireland.</p>
<b>Establish a system for the conduct of investigations into suspected irregularities</b>	<p>The Authority continued to prepare for the 2018 Act in relation to powers for Conduct. It also carried out preparatory work for its new investigative procedures and these were in the process of being drafted at year end.</p>
<b>Authorise “Category 5” liquidators</b>	<p>26 applications received, of which 21 were approved at the year end. Of the remainder three sought appeals and these were being considered by an appeals committee at the year end</p>
<b>Implement a learning and development strategy for staff</b>	<p>The Authority continued to provide staff support for training and development. Supports ranged from CPD through longer term education as well as in-house training. As part of education support, 84 [2017:89] training days were taken by staff relating to some 47 [2017: 70] training and development courses.</p>

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

# Chapter 4

Governance and Structure

## Chapter 4: Governance and Structure

### 4.1. Legal structure

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

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

\* Denotes a PAB

### 4.2. Organisational structure

#### 4.2.1. Overview

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

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

#### 4.2.2. Approved staff complement

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

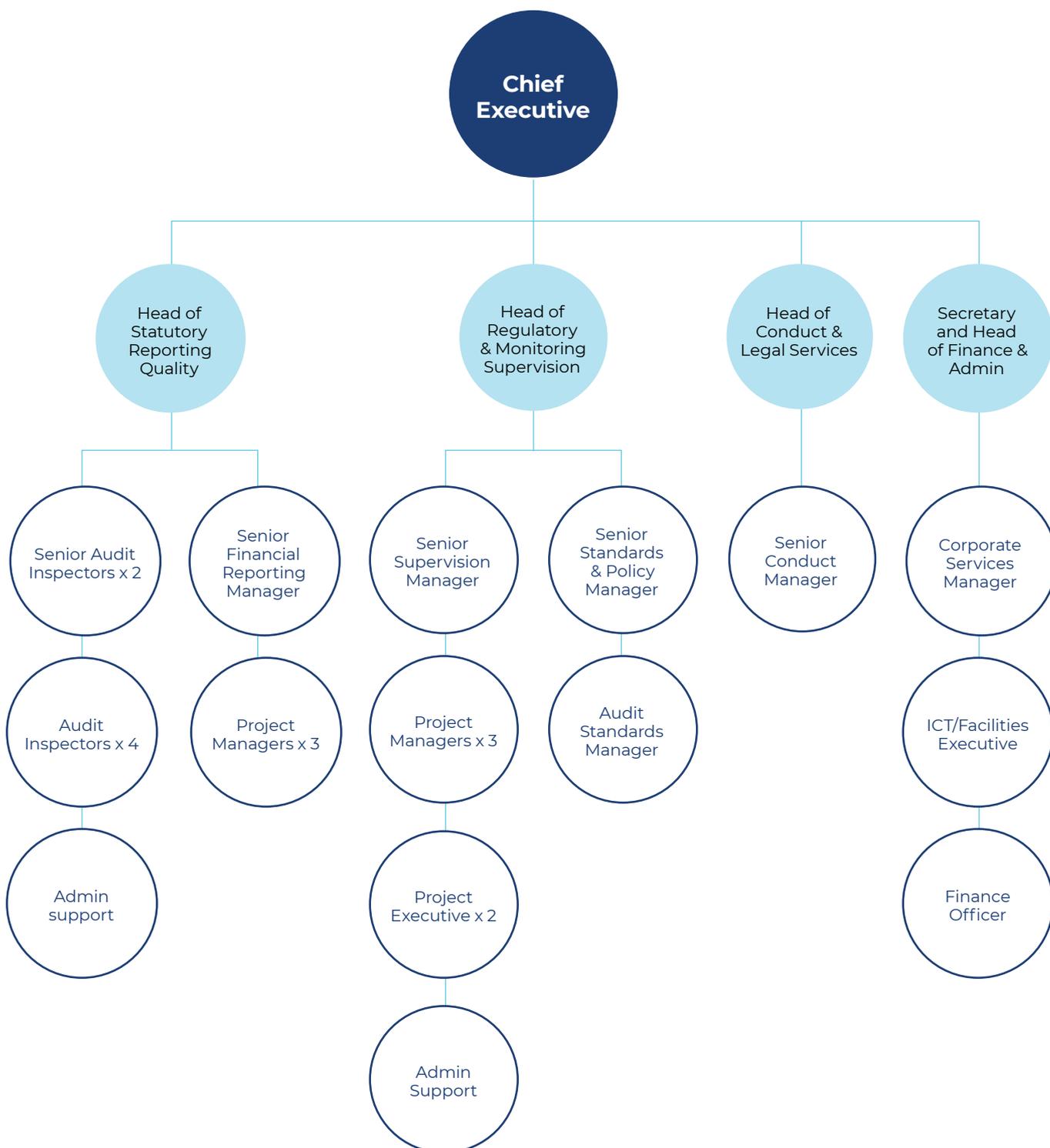
**Table 4.1: Approved and actual staff complements as at year end**

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

## Chapter 4: Governance and Structure

### 4.2.3 Organisational chart

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



## Chapter 4: Governance and Structure

### 4.3. Financial Overview

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

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

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

### 4.4. Governance

#### 4.4.1. Board of directors

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

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

**Table 4.2: Board of directors – nominating bodies**

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

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

#### 4.4.2. Directors' biographies

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

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

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

**Mary Burke** is Head of the Governance and Operational Resilience Division of the Central Bank of Ireland. The Division is responsible for the provision of specialist expertise in areas of non-financial risk (including claims underwriting, governance, culture, operation, cyber and information technology) for inspections and ongoing supervision in order to support and challenge the regulation/supervision of financial services firms. She has worked with the Central Bank since 1984 moving into financial services supervision in 1997. Previous roles within the Central Bank have included Head of Financial Risks and Governance Policy and Head of Banking Supervision. Mary is a Fellow of the ACCA.

## Chapter 4: Governance and Structure

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

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

**Etain Doyle** is an accountant and accredited executive coach with a varied portfolio including running a peer learning circle and coaching SME CEOs. She is a member of the IoD with extensive governance experience. Apart from Board membership of IAASA, she chairs the Technology Committee of ACCA Ireland which seeks to encourage members and provide opportunities for them to keep up to date on technology. She was ACCA Accountant of the Year in 2018 for this work. She is also Chairperson of the Audit Committee of the NCCA.

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

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

### 4.4.3. Board procedures

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

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

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

## Chapter 4: Governance and Structure

### 4.5. Governance Statement

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

#### 4.5.1. Board responsibilities

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

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

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

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

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

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

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

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

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

#### 4.5.2. Board composition

As detailed above, IAASA is governed by a Board of nine directors. The Act specifies that the Authority operates independently of Government and the Minister is statutorily precluded from giving directions to the Authority in the discharge of its functions. The Act provides that members may be appointed for a period of three to five years. Generally members are appointed for three year periods, and the Chairperson for five years. The composition of the Board at 31 December 2018, and movements since that date, are set out in Appendix 1.

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

## Chapter 4: Governance and Structure

### 4.5.3. Board Committees

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

**Table 4.3: Board Committees – mandates and membership**

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

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

## Chapter 4: Governance and Structure

### 4.5.4. Audit & Risk Committee

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

**Table 4.4: Audit & Risk Committee activities**

Charter Requirement	Actions taken during 2018
<b>Internal controls and risk management systems (section 6.1)</b>	<ul style="list-style-type: none"> <li>The committee reviewed the Authority's risk register at each meeting in consultation with the Chief Risk Officer, who attended each meeting.</li> <li>The committee reviewed the System of Internal Control ('SIC') for 2017 in conjunction with the internal auditor.</li> </ul>
<b>Financial reporting (section 6.2)</b>	<ul style="list-style-type: none"> <li>The committee reviewed the 2017 Annual Report to the Minister, and considered the Report understandable, consistent and unbiased.</li> <li>The committee considered the Governance Statement included in the Annual Report and made recommendations regarding the format of the 2018 Statement.</li> </ul>
<b>Whistle-blowing (section 6.3)</b>	<ul style="list-style-type: none"> <li>The Board approved Internal and External Protected Disclosure procedures in December 2016, which replaced the previous whistle-blowing procedures.</li> </ul>
<b>Compliance with laws, regulations and the Code of Practice for the Governance of State Bodies ('the Code') (section 6.4)</b>	<ul style="list-style-type: none"> <li>As alluded to above, IAASA's internal auditor completed a detailed audit of the SIC, including testing of IAASA's compliance with the Code. The committee satisfied itself that no material instances of non-compliance arose during the year under review.</li> <li>The committee undertook an evaluation of its own performance.</li> <li>The Committee directed that a process of appraisal of its Chairperson's performance by the Board Chairperson be put in place.</li> <li>The committee undertook a review of its Charter and made recommendations to the Board in this regard.</li> </ul>
<b>Internal audit (section 6.5)</b>	<ul style="list-style-type: none"> <li>The committee considered a Value for Money audit report compiled by the Authority's internal auditors, CrowleysDFK.</li> <li>The Committee considered the overall CrowleysDFK's internal audit plan, and recommended an extension to their contract to end 2019.</li> </ul>
<b>External audit (section 6.6)</b>	<ul style="list-style-type: none"> <li>As mandated by the Act, the C&amp;AG remained and remains IAASA's external auditor.</li> <li>The committee met with the C&amp;AG Deputy Director of Audit in the absence of the Executive.</li> <li>The committee considered the C&amp;AG's report on its 2017 audit as set out in the latter's management letter.</li> <li>The C&amp;AG carried out its audit of the 2017 Financial Statements and cleared said Statements for approval by the directors.</li> </ul>
<b>Reporting responsibilities (section 6.7)</b>	<ul style="list-style-type: none"> <li>A report from the Chairperson of the Audit Committee to the Board was given at each scheduled Board meeting in 2018.</li> </ul>
<b>Other matters (section 6.8)</b>	<ul style="list-style-type: none"> <li>The committee considered the Authority's compliance with the General Data Protection Regulation, including the appointment of a Data Protection Officer.</li> <li>The committee considered the potential risks arising from Brexit, and recommended revisions to the Authority's Risk Register.</li> </ul>

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

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

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

## Chapter 4: Governance and Structure

### 4.5.5. Schedule of Attendance, Fees and Expenses

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

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

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

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

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

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

### 4.5.6. Key Personnel Changes

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

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

## Chapter 4: Governance and Structure

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

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

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

### 4.5.8. Statement of Compliance

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

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

## 4.6. Other public sector and other governance obligations

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

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

### 4.6.2. Legal requirements under the Companies Acts

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

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

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

### 4.6.3. Principal legal requirements under other legislation

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

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

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

### 4.6.4. GDPR

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

### 4.6.5. Protected disclosures

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

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

**2018**

Financial & Related Statements

# Report of the Directors

## Introduction

The directors are pleased to submit to the thirteenth Annual General Meeting of the Irish Auditing and Accounting Supervisory Authority ('IAASA') the financial statements for the year ended 31 December 2018, together with the Report of the Directors, which has been prepared pursuant to the provisions of section 325 of the Companies Act 2014 ('the 2014 Act').

## Principal activities

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

- (a) examination and enforcement of certain listed entities' periodic financial reporting;
- (b) oversight of the Recognised Accountancy Bodies' functions in respect of statutory auditors and supervision of the regulatory functions of the Prescribed Accountancy Bodies;
- (c) adoption of standards on auditing, professional ethics and internal quality control; and
- (d) the inspection and promotion of improvements in the quality of auditing of Public Interest Entities.

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

## Business Overview

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

## Financial position

The assets and liabilities and financial position of the company are set out in detail in the financial statements on pages 43 to 65.

## Risk and uncertainties

The directors confirm that, as required by the Code of Practice for the Governance of State Bodies ('the Code'), a Risk Management Policy and procedures have been developed and adopted for the purpose of facilitating the identification, quantification and management of the key business risks facing IAASA.

## Accounting records

To ensure that adequate accounting records are maintained in accordance with the requirements of sections 281 to 286 of the 2014 Act, IAASA has employed an appropriately qualified Head of Finance and provides sufficient resources to the finance function. The accounting records are located at IAASA's registered office at Willow House, Millennium Park, Naas, Co. Kildare.

## Provision of Relevant Audit Information

In accordance with Section 330 (1) of the 2014 Act, the directors believe that they have taken all steps necessary to make themselves aware of any relevant audit information and have established that the auditor is aware of that information. Insofar as they are aware, there is no relevant audit information of which the auditor is unaware.

## Events after the end of the reporting period

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

## Auditor

IAASA's auditor, the Comptroller & Auditor General, remains in office in accordance with the provisions of section 927(2) of the 2014 Act.

### Governance

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

### Board Responsibilities

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

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

Section 927 of the 2014 Act requires IAASA to keep, in such form as may be approved by the Minister for Business, Enterprise & Innovation (with consent of the Minister for Public Expenditure and Reform), all proper and usual accounts of money received and expended by it.

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

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

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

The Board is responsible for approving the annual plan and budget. The Board approved the annual budget for 2018 at its meeting on 19 September 2017. Financial information including management accounts detailing actual and budgeted expenditure were considered by the Board at each meeting in 2018. Ongoing evaluation of operational issues also occurred at each meeting. The Authority's three year work programme 2017-2019 was approved by the Board on 20 December 2016.

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

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

## 2018: Financial & Related Statements

### Board Responsibilities

IAASA is governed by a Board of nine directors, eight of whom are non-executive and appointed by the Minister having been nominated by entities specified in the 2014 Act. The remaining director is the Chief Executive, who is appointed by the Board. The 2014 Act specifies that the Authority operates independently of Government and the Minister is statutorily precluded from giving directions to the Authority in the discharge of its functions. The 2014 Act provides that members may be appointed for a period of three to five years. Generally members are appointed for three year periods, and the Chairperson for four years. The composition of the Board at 31 December 2018, and movements since that date, are set out below:

### Composition of Board at 31 December 2018

Board member	Occupation	Nominating body	Date appointed
<b>Martin Sisk (Chairperson)</b>	Solicitor and former regulator	Minister	21 December 2016
<b>Mary Burke*</b>	Head of the Prudential Policy and Governance, Central Bank	Central Bank	14 October 2015
<b>Caitríona Crowley</b>	Principal Officer, Office of the Revenue Commissioners	Revenue Commissioners	3 January 2018
<b>David Devlin*</b>	Accountant	PABs	30 May 2014
<b>Etain Doyle*</b>	Accountant	PABs	30 May 2014
<b>Nicole Lappin</b>	Barrister	Minister	13 September 2017
<b>Aileen O'Donoghue</b>	Company director	ISE	3 January 2014
<b>Conor O'Mahony</b>	Principal Officer, ODCE	Director of Corporate Enforcement	1 March 2012
<b>Kevin Prendergast*</b>	Chief Executive	<i>Ex-officio</i>	14 November 2016

\* Denotes membership of a Prescribed Accountancy Body ('PAB')

### Details of appointments and reappointments to the Board during the year

Director	Date appointed	Nominating body	Reason for vacancy	Term Expires
<b>Caitríona Crowley</b>	3 January 2018	Revenue Commissioners	Expiration of warrant of appointment of Ms Deirdre Behan on 2 January 2018	2 January 2021

## 2018: Financial & Related Statements

The following were not directors at the reporting date, having ceased to hold office during the year or since 1 January 2019:

Member	Nominating body	Commencement of term of office	Cessation of term of office
Ms. Deirdre Behan	Revenue Commissioners	3 January 2012	2 January 2018
Ms. Marie Daly	IBEC	3 January 2006	2 January 2018
Ms. Aileen O'Donoghue	ISE	3 January 2014	25 April 2019

The Board commenced a process of external evaluation of its own 2018 performance in early January 2019. The Board reviewed an evaluation questionnaire at its meeting of 29 January 2019, and held a facilitated discussion in this regard at its 12 March 2019 meeting.

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

### Board Committees – mandates and membership

Committee	Mandate	Membership at 31 December 2018
Section 933 committees	In accordance with section 933 of the 2014 Act from time to time IAASA establishes Preliminary Enquiry Committees ('PECs') and Enquiry Committees for the purpose of determining whether a PAB has complied with its approved investigation and disciplinary procedures or whether a RAB has complied with its obligations under Part 27 of the Act.	Board members are nominated to PECs/ Enquiry Committees as and when the need arises.
Section 934 committees	In accordance with section 934 of the 2014 Act from time to time IAASA establishes Preliminary Investigation Committees ('PICs') and Investigation Committees for the purpose of determining whether there has been a possible breach of standards by a PAB member, or into possible contraventions of, <i>inter alia</i> , part 27 of the Act or the EU Audit Regulation by a statutory auditor.	Board members are nominated to PICs/ Investigation Committees as and when the need arises.
Audit & Risk Committee	Monitoring the integrity of IAASA's financial statements, the effectiveness of IAASA's internal control and risk management systems and monitoring and reviewing the effectiveness of the internal and external audit processes.	Conor O'Mahony (Chairperson) David Devlin Nicole Lappin

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

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

## 2018: Financial & Related Statements

### Schedule of Attendance, Fees and Expenses

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

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

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

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

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

Note 4: Ms O'Donoghue was unavailable to attend meetings in 2018 due to unforeseen circumstances.

## 2018: Financial & Related Statements

### Key Personnel Changes

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

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

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

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

#### Employee Short-Term Benefits Breakdown

An analysis of total employee remuneration (including salaries and other benefits, but excluding holiday pay accruals and employer superannuation contributions) for those earning over €60,000 is set out in Note 14 of the Financial Statements.

#### Consultancy Costs

An analysis of consultancy expenditure is set out in Note 17 of the Financial Statements,

#### Legal Costs and Settlements

The Authority did not incur costs under this heading in 2018.

#### Travel and Subsistence Expenditure

An analysis of Travel and Subsistence expenditure is set out in Note 16 of the Financial Statements.

#### Hospitality Expenditure

As set out in Note 18 of the Financial Statements, 2018 there was no expenditure on entertainment/hospitality incurred in 2018 [2017: €6,913]. 2017 expenditure includes costs incurred in hosting an EU conference in October 2017.

#### Statement of Compliance

IAASA has complied with the requirements of the Code of Practice for the Governance of State Bodies, as published by the Department of Public Expenditure and Reform in August 2016, with the following exception:

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

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

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Martin Sisk  
*Chairperson*

28 May 2019

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Kevin Prendergast  
*Chief Executive*

28 May 2019

# Statement on Internal Control

## Scope of Responsibility

On behalf of the Irish Auditing & Accounting Supervisory Authority ('IAASA'), I acknowledge the Board's responsibility for ensuring that an effective system of internal control is maintained and operated. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies (2016).

## Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a tolerable level rather than to eliminate it. The system can therefore 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 detected in a timely way.

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform, has been in place in IAASA for the year ended 31 December 2018 and up to the date of approval of the financial statements except for the internal control issues outlined below.

## Capacity to Handle Risk

IAASA has an Audit and Risk Committee (ARC) comprising three Board members, one of whom is the Chair. In accordance with Section 907(2A) of the 2014 Act, all Board members are knowledgeable in areas relevant to the conduct of statutory audit. The ARC met four times in 2018.

IAASA has also appointed CrowleysDFK as internal auditors for the period 2016–2019, who are adequately resourced to conduct a programme of work agreed with the ARC.

IAASA has developed a risk management policy which sets out its risk appetite, the risk management processes in place and details the roles and responsibilities of staff in relation to risk. The policy has been issued to all staff who are expected to work within IAASA's risk management policies, to alert management on emerging risks and control weaknesses and assume responsibility for risks and controls within their own area of work.

## Risk and Control Framework

IAASA has implemented a risk management system which identifies and reports key risks and the management actions being taken to address and, to the extent possible, to mitigate those risks.

A risk register is in place which identifies the key risks facing IAASA and these have been identified, evaluated and graded according to their significance. The register is reviewed and updated by the ARC on at each meeting. Moderate and significant risks are also reported to the Board, where Risk Management remains a standing agenda item. The outcome of these assessments is used to plan and allocate resources to ensure risks are managed to an acceptable level.

The risk register details the controls and actions needed to mitigate risks and responsibility for operation of controls assigned to specific staff. I confirm that a control environment containing the following elements is in place:

- procedures for all key business processes have been documented;
- financial responsibilities have been assigned at management level with corresponding accountability;
- there is an appropriate budgeting system with an annual budget which is kept under review by senior management;
- there are systems aimed at ensuring the security of the information and communication technology systems; and
- there are systems in place to safeguard the assets.

## Ongoing Monitoring and Review

Formal procedures have been established for monitoring control processes and control deficiencies are communicated to those responsible for taking corrective action and to management and the Board, where relevant, in a timely way. I confirm that the following ongoing monitoring systems are in place:

- key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies;
- responsibility for financial management has been assigned to the Head of Finance, a professional accountant; and
- there are regular reviews by the Chief Executive and Board of periodic and annual performance and financial reports which indicate performance against budgets/forecasts.

## 2018: Financial & Related Statements

### Procurement

I confirm that IAASA has procedures in place to ensure compliance with current procurement rules and guidelines. Matters arising regarding controls over procurement are highlighted under internal control issues below.

### Review of Effectiveness

I confirm that IAASA has procedures to monitor the effectiveness of its risk management and control procedures. IAASA's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal and external auditors, the Audit and Risk Committee which oversees their work, and the senior management within IAASA responsible for the development and maintenance of the internal financial control framework.

I confirm that the Board conducted an annual review of the effectiveness of the internal controls for 2018.

### Internal Control Issues

#### *Divergence from D/PER procurement requirements*

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

Signed on behalf of the Board:

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Martin Sisk  
*Chairperson*

28 May 2019

## Directors' Responsibilities Statement

IAASA performs its functions and exercises its powers through a company limited by guarantee, designated for that purpose in accordance with the 2014 Act.

Company law requires the directors to prepare financial statements and the report of the directors for each financial year which give a true and fair view of the assets, liabilities and financial position of the company as at the financial year end date and of its surplus or deficit for that period and otherwise comply with the 2014 Act. In preparing those financial statements, which are prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the United Kingdom and Ireland*, the directors are required to:

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

The directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the 2014 Act and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Section 927(1) of the 2014 Act further provides that IAASA '*... shall keep records of, and prepare all proper and usual accounts of –*

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

Ard Reachtaire Cuntas agus Ciste

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

## Opinion on financial statements

I have audited the financial statements of the Irish Auditing and Accounting Supervisory Authority for the year ending 31 December 2018 as required under the provisions of section 927 of the Companies Act 2014. The financial statements comprise the statement of financial position, the statement of income and expenditure, the statement of changes in reserves and capital account, the statement of cash flows and the related notes, including a summary of significant accounting policies.

In my opinion, the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Authority at 31 December 2018 and of its income and expenditure for 2018
- have been properly prepared in accordance with Financial Reporting Standard (FRS) 102 — *The Financial Reporting Standard applicable in the UK and the Republic of Ireland*, and
- have been properly prepared in accordance with the Companies Act 2014.

## Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the Authority and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Conclusions related to going concern

As described in the appendix to this report, I conclude on:

- the appropriateness of the use of the going concern basis of accounting by the directors and
- whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern.

I have nothing to report in that regard.

## Opinion on matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, I report that in my opinion

- the information given in the report of the directors is consistent with the financial statements, and
- the report of the directors has been prepared in accordance with the Companies Act 2014.

I have obtained all the information and explanations that I consider necessary for the purposes of my audit.

In my opinion, the accounting records of the Authority were sufficient to permit the financial statements to be readily and properly audited, and the financial statements are in agreement with the accounting records.

The Companies Act 2014 also requires me to report if, in my opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. I have nothing to report in that regard.

## Report on information other than the financial statements, and on other matters

The directors have presented certain other information with the financial statements. This comprises the annual report including the report of the directors, the statement on internal control and the director's responsibility statement. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

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Andrew Harkness

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

28 May 2019

### Appendix to the report

#### Responsibilities of the Directors

The director's responsibilities statement sets out the directors' responsibilities. The directors are responsible for:

- the preparation of financial statements in the form prescribed under the Companies Act 2014
- ensuring that the financial statements give a true and fair view in accordance with FRS102
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Responsibilities of the Comptroller and Auditor General

I am required under section 927 of the Companies Act 2014 to audit the financial statements of the Authority and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.

- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the company to cease being a going concern.
- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

#### Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

#### Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if there are material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if there is any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

# Statement of Financial Position

## as at 31 December 2018

	Note	2018 €	2017 €
<b>Non-current assets</b>			
Property, Plant & Equipment	4	90,075	122,073
Deferred Finance Lease Costs		436	268
		<u>90,511</u>	<u>122,341</u>
<b>Current Assets</b>			
Inventory		2,898	2,910
Receivables	5	97,260	140,040
Deferred Finance Lease Costs		513	1,560
Cash & Cash Equivalents	6	2,152,305	2,453,161
		<u>2,252,976</u>	<u>2,597,671</u>
<b>Creditors: Amounts falling due within 1 year</b>			
Payables	7	179,202	179,788
Deferred Rent Incentive	8	6,710	6,710
Finance lease obligations	9	3,744	4,306
Excess PAB Levy Income	10	969,204	804,767
Excess PIE Audit Firm Levy Income	10	598,072	769,525
Excess Departmental Grant Income	10	148,650	403,970
		<u>1,905,582</u>	<u>2,169,066</u>
<b>Net Current Assets</b>		347,394	428,605
<b>Amounts falling due after 1 year</b>			
Deferred Rent Incentive	8	38,890	45,601
Finance lease obligations		5,159	8,903
		<u>44,049</u>	<u>54,504</u>
<b>Net Assets before Retirement Benefits</b>		<u><b>393,856</b></u>	<u><b>496,442</b></u>
<b>Retirement Benefits</b>			
Retirement Benefit Liability	11	(3,829,000)	(3,328,000)
Deferred Exchequer Retirement Benefit Funding	11	3,829,000	3,328,000
<b>Net Assets after Retirement Benefits</b>		<u><b>393,856</b></u>	<u><b>496,442</b></u>
<b>Reserves</b>			
Income reserve		-	-
Capital Account	12	90,075	122,073
Reserve Fund		303,781	374,369
<b>Members' Funds</b>		<u><b>393,856</b></u>	<u><b>496,442</b></u>

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

Martin Sisk  
Chairperson

28 May 2019

Kevin Prendergast  
Chief Executive

28 May 2019

# Statement of Income and Expenditure

## for the year ended 31 December 2018

	Note	2018 €	2017 €
Revenue	13	3,743,086	3,127,746
Administrative Expenses			
Staff Costs	14	2,720,603	2,157,878
Directors' Fees	15	42,750	45,048
Accommodation		264,247	230,500
Travel & Subsistence	16	110,870	107,644
Legal and Professional Services	17	348,371	307,667
Office Expenditure	18	99,791	90,597
Information Technology		61,503	21,493
Professional Development		101,300	95,893
Insurance		26,582	27,034
Auditor's Remuneration	19	13,000	13,000
Depreciation	4	55,904	44,395
Total Administrative Expenses		3,844,921	3,141,149
Deficit of Income over Admin Expenses before Finance Costs		<b>(101,835)</b>	<b>(13,403)</b>
Finance costs		879	879
Deficit of Income over Admin Expenses after Finance Costs		<b>(102,714)</b>	<b>(14,282)</b>
Finance Income	20	128	924
Deficit for the year		<b>(102,586)</b>	<b>(13,358)</b>
<b>Other comprehensive income</b>			
Experience gains/(losses) on pension scheme liabilities		(279,000)	(83,000)
Changes in assumptions		261,000	(204,000)
Adjustment to deferred Exchequer pension funding		18,000	287,000
Total recognised (Deficit)/Surplus for the year		<b>(102,586)</b>	<b>(13,358)</b>

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

Martin Sisk  
Chairperson

28 May 2019

Kevin Prendergast  
Chief Executive

28 May 2019

# Statement of Changes in Reserves and Capital Account

for the year ended 31 December 2018

	Income Reserve €	Capital Account €	Reserve Fund €	NET ASSETS €
<b>Balance – 1 January 2017</b>	-	<b>108,066</b>	<b>401,734</b>	<b>509,800</b>
Deficit for the year	(13,358)	-	-	(13,358)
Transfer from Income & Expenditure Account:				
Income applied to capitalised asset acquisitions	(58,402)	58,402	-	-
Less: Amortisation applied in line with asset depreciation	44,395	(44,395)	-	-
Income receivable on reserve fund monies	(817)	-	817	-
Amounts payable from reserve fund (S. 933, 2014 Act)	28,182	-	(28,182)	-
Actuarial (loss) on pension liabilities	(663,000)	-	-	(663,000)
Adjustments to deferred Exchequer pension funding	663,000	-	-	663,000
<b>Balance – 31 December 2017 / 1 January 2018</b>	-	<b>122,073</b>	<b>374,369</b>	<b>496,442</b>
Deficit for the year	(102,586)	-	-	(102,586)
Transfer from Income & Expenditure Account:				
Income applied to capitalised asset acquisitions	(23,906)	23,906	-	-
Less: Amortisation applied in line with asset depreciation	55,904	(55,904)	-	-
Income receivable on reserve fund monies	(91)	-	91	-
Amounts payable from reserve fund (S. 933, 2014 Act)	70,679	-	(70,679)	-
Actuarial (loss) on pension liabilities	(501,000)	-	-	(501,000)
Adjustments to deferred Exchequer pension funding	501,000	-	-	501,000
<b>Balance – 31 December 2018</b>	-	<b>90,075</b>	<b>303,781</b>	<b>393,856</b>

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

Martin Sisk  
Chairperson

28 May 2019

Kevin Prendergast  
Chief Executive

28 May 2019

# Statement of Cash Flows

for the year ended 31 December 2018

	Note	2018 €	2017 €
Net Cash (Outflow) from Operating Activities	21	(277,541)	1,555,573
Cash flows from financing activities			
Interest Received		591	761
Cash flows from investing activities			
Payments to Acquire Tangible Fixed Assets		(23,906)	(58,402)
<b>(Decrease)/Increase in Cash &amp; Cash Equivalents in Year</b>		<b>(300,856)</b>	<b>1,497,932</b>
<b>Reconciliation of Net Cash Flow to Movements in Net Funds</b>			
(Decrease)/Increase in Net Funds in Year	22	(300,856)	1,497,932
Net Funds at 1 January		2,453,161	955,229
Net Funds at 31 December		<b>2,152,305</b>	<b>2,453,161</b>

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

Martin Sisk  
Chairperson

28 May 2019

Kevin Prendergast  
Chief Executive

28 May 2019

# Notes to Financial Statements

## 1. Basis of Preparation

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

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

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

## 2. Accounting policies applied

### 2.1. Non-current Assets – depreciation

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

### 2.2. Non-current Assets purchased prior to establishment

Non-current assets owned and controlled by IAASA have been recorded by the Authority at cost. In addition to these assets, and as detailed in Note 4, IAASA has the use of certain assets which were purchased by the Department of Business, Enterprise & Innovation ('the Department') prior to the Authority's establishment. Section 2 of FRS 102 defines an asset as "*a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity*". These assets remain the property of the Department. Their return may be sought at any time. In the event of their sale, or the dissolution of the Authority, the asset/proceeds remain the property of the Department. In light of the foregoing, the Directors are satisfied that these assets are not assets of the Authority, and are properly omitted from the Authority's Statement of Financial Position.

### 2.3. Inventory

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

## 2018: Financial & Related Statements

### 2.4. Revenue Recognition

IAASA receives income from a number of sources to meet expenditure incurred in the conduct of its functions. In general terms, any amounts received which are in excess or fall short of the expenditure incurred are recognised as a creditor or debtor respectively. Section 921(1) of the Act provides that excess amounts reduce the amount payable for the following financial period. The basis of the funding and the accounting policy in relation to income recognition are set out below.

Class of income	Source of Income	Recognition policy
Income from third country audit registration	Third country audit firm seeking registration	Recognised when registered. Registration fees in excess of €40,000 must be returned to the Department.
Liquidation registration	Liquidator seeking registration	Recognised when registered
Reserve Fund – to be used in performance of its functions under S933 of the Act	Exchequer and Prescribed Accountancy Bodies ('PABs') in a 40:60 ratio.	Recognised on date of approval by the Minister for Business, Enterprise & Innovation ('the Minister').
	Fines imposed by the Authority on foot of statutory enquiries/investigation pursuant to sections 933, 934 and 935 of the Act.	Recognised on date of High Court approval
Inspection of the quality of audits of Public Interest Entities (PIEs)	PIE Audit firms	Recognised in line with expenditure incurred in the performance of the function in the financial period. Amounts received in excess of that are recognised as a creditor.
Adoption of Auditing Standards for use in Ireland	Recognised Accountancy Bodies (i.e., PABs which are permitted to authorise their members and/or member firms to perform statutory audits)	Amounts received in excess of that are recognised as a creditor
Transparency Directive	Exchequer funds 100% of IAASA's costs in relation to its functions under the Transparency Directive Regulations	Amounts received in excess of that are recognised as a creditor
Exchequer Income	Exchequer funds 40% of IAASA's net expenditure in the financial period not funded from the other sources list above.	Recognised in line with expenditure incurred in financial period
Prescribed Accountancy Bodies	PABs fund 60% of IAASA's net expenditure in the financial period not funded from the other sources list above.	Recognised in line with expenditure incurred in financial period

### 2.5. Key management personnel

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

### 2.6. Single Public Sector Pension Scheme

IAASA operates the Single Public Services Pension Scheme ("Single Scheme"), which is a defined benefit scheme for pensionable public servants appointed on or after 1 January 2013. Single Scheme members' contributions are paid over to the Department of Public Expenditure and Reform.

### 3. Critical accounting judgements and estimates

#### 3.1. Retirement Benefits

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

In substance, the directors consider that the obligation to pay retirement benefits remains with IAASA, but that the Exchequer has committed to providing IAASA with sufficient funds to settle any such obligations on IAASA's behalf as they fall due, provided IAASA pays over employees' and the employer's contributions at rates specified by the Minister for Public Expenditure & Reform. Notwithstanding that the Exchequer has confirmed that it will bear all liabilities arising to IAASA employees (and their spouses, civil partners and children) in return for a fixed contribution, the Directors remain of the view that the contractual obligation remains between the Authority and its employees. Consequently, the directors continue to account for the schemes as Defined Benefit schemes. Accordingly, the financial statements recognise both a Retirement Benefit Obligation and a Deferred Exchequer Retirement Benefit Funding receivable.

### 4. Non-current assets

	IT Equipment	Office Equipment	Furniture & Fittings	Total
Rate of Depreciation	33.33%	20%	12.5%	
<b>Cost</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
At 1 January 2018	113,376	40,738	87,495	241,609
Additions	18,002	5,283	621	23,906
Disposals	-	-	-	-
At 31 December 2018	<b>131,378</b>	<b>46,021</b>	<b>88,116</b>	<b>265,515</b>
<b>Accumulated Depreciation</b>				
At 1 January 2018	72,120	18,891	28,525	119,536
Charge for year	31,452	11,796	12,656	55,904
Disposals	-	-	-	-
At 31 December 2018	<b>103,572</b>	<b>30,687</b>	<b>41,181</b>	<b>175,440</b>
<b>NET BOOK VALUE</b>				
At 1 January 2018	41,256	21,847	58,970	122,073
At 31 December 2018	<b>27,806</b>	<b>15,334</b>	<b>46,935</b>	<b>90,075</b>

## 2018: Financial & Related Statements

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

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

The notional Net Book Value of these assets at the reporting date, had they been capitalised and depreciated in accordance with IAASA policies, would be nil [2017: nil]. The bulk of the IT assets have, with the Department's permission, been disposed of.

### 4.1. Non-current assets 2017

	IT Equipment	Office Equipment	Furniture & Fittings	Total
Rate of Depreciation	33.33%	20%	12.5%	
<b>Cost</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
At 1 January 2017	65,955	32,340	84,912	183,207
Additions	47,421	8,398	2,583	58,402
Disposals	-	-	-	-
At 31 December 2017	<b>113,376</b>	<b>40,738</b>	<b>87,495</b>	<b>241,609</b>
<b>Accumulated Depreciation</b>				
At 1 January 2017	41,808	14,106	19,227	75,141
Charge for year	30,312	4,785	9,298	44,395
Disposals	-	-	-	-
At 31 December 2017	<b>72,120</b>	<b>18,891</b>	<b>28,525</b>	<b>119,536</b>
<b>NET BOOK VALUE</b>				
At 1 January 2017	24,147	18,234	65,685	108,066
At 31 December 2017	<b>41,256</b>	<b>21,847</b>	<b>58,970</b>	<b>122,073</b>

### 5. Receivables

	2018 €	2017 €
PIE Audit Firm Debtors	8	9,505
PAB Debtors	-	26,253
Other	97,252	104,282
	<b>97,260</b>	<b>140,040</b>

### 6. Cash and cash equivalents

	2018 €	2017 €
Bank – notice deposit (Reserve)	401,463	400,949
Bank – notice deposit (Non-Reserve)	1,222,018	1,221,941
Bank – current	528,780	830,227
Cash on Hand	44	44
<b>Total cash &amp; cash equivalents</b>	<b>2,152,305</b>	<b>2,453,161</b>

### 7. Payables

	2018 €	2017 €
Pay and Pay-Related	67,871	49,599
Office of the Revenue Commissioners	18,552	13,288
Legal and Professional Services	49,118	63,764
Other	43,661	53,137
	<b>179,202</b>	<b>179,788</b>

### 8. Lease of Accommodation, Deferred Rent Incentive

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

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

Under the lease agreement concluded in 2016 in respect of the first floor, Willow House, IAASA benefited from a further six month rent free period from the commencement of this lease to 14 March 2017. The value of the incentive will be spread across the life of the lease, i.e., to 14 September 2025. This treatment has resulted in a charge of €40,630 in the financial statements and a corresponding deferred rent incentive, which will be released to the Statement of Income & Expenditure over the period of the lease.

The value of these incentives at 31 December to be released to the Statement of Income & Expenditure:

	2018		2017	
	First Floor €	Second Floor €	First Floor €	Second Floor €
- within one year	5,258	1,452	5,258	1,452
- in two to five years	26,290	5,808	26,290	5,808
- in more than five years	3,824	2,968	9,083	4,420
	<b>35,372</b>	<b>10,228</b>	<b>40,631</b>	<b>11,680</b>

### 9. Finance Costs

IAASA acquired office equipment in August 2014 by way of finance lease. The period of the lease is 63 months, and total payments of €11,776 will be made in this period. At the end of the lease period, ownership of assets (with a cash value of €9,193 in August 2014) will pass to IAASA.

IAASA acquired further office equipment in July 2017 by way of finance lease. The period of the lease is 60 months, and total payments of €10,317 will be made in this period. At the end of the lease period, ownership of assets (with a cash value of €8,250 in July 2017) will pass to IAASA.

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

	<b>2018</b> €	<b>2017</b> €
– within one year	3,744	4,306
– in two to five years	5,159	8,903
– in more than five years	-	-
	<b>8,903</b>	<b>13,209</b>

### 10. Exchequer Grant Debtor/PAB Levy Carry Forward

As outlined in Note 2, income is received from a number of sources. The amounts recognised together with year end balances are set out below.

#### 10.1. Calculation of Net Expenditure

	2018 €	2017 €
Gross Expenditure per Statement of Income & Expenditure	3,844,921	3,141,149
Adjust for:		
Unamortised amount of income used for capital acquisitions	(31,998)	14,007
Finance costs	879	879
Expenditure related to the Reserve Fund (Note 2.4)	(70,679)	(28,182)
	<u>3,743,123</u>	<u>3,127,853</u>
Less:		
Non-reserve fund interest receivable	37	107
Liquidator registration	2,000	50,000
Income from third country audit entity registration	35,913	36,000
<b>Net Expenditure for the year</b>	<b><u>3,705,173</u></b>	<b><u>3,041,746</u></b>
Net expenditure attributable to the Exchequer		
i. Transparency Directive (100%) (Note 2.4)	739,352	391,459
ii. Audit Inspections Unit (100%) (Note 2.4)	-	-
iii. Excess income from Third Country Audit Entities (Note 2.4)	-	-
iv. Obligations under the Act (40% of balance)	<u>634,097</u>	<u>1,373,449</u>
Net expenditure attributable to the PABs		
i. Audit Standards Adoption (100%) (Note 2.4)	199,650	105,855
ii. Obligations under the Act (60% of balance)	<u>951,146</u>	<u>965,374</u>
Net expenditure attributable to the PIE Audit Firms	<u>1,180,928</u>	<u>935,475</u>
	<b><u>3,705,173</u></b>	<b><u>3,041,746</u></b>

## 2018: Financial & Related Statements

### 10.2. Calculation of Grant Debtor / Levy Carry Forward

	Exchequer	PAB's	PIE – Audit Firms	Other	Total
Opening balance 1 January 2018	<b>(403,970)</b>	<b>(804,767)</b>	<b>(769,525)</b>	-	<b>(1,978,262)</b>
<b><i>Income for specified purposes</i></b>					
Liquidator registration				2,000	2,000
Third country auditor registration				35,913	35,913
Adoption of audit standards		199,650			199,650
Inspection of PIEs			1,180,928		1,180,928
Transparency Directive	739,352				739,352
Net expenditure	634,097	951,146			1,585,243
<b>Income recognised in I&amp;E (Note 13)</b>	<b>1,373,449</b>	<b>1,150,796</b>	<b>1,180,928</b>	<b>37,913</b>	<b>3,743,086</b>
Amounts receivable	(1,118,129)	(1,315,233)	(1,009,475)	(37,913)	(3,480,750)
<b>Movement 2018</b>	<b>255,320</b>	<b>(164,437)</b>	<b>171,453</b>	-	<b>262,336</b>
<b>Balance carried forward 31 December 2018</b>	<b>(148,650)</b>	<b>(969,204)</b>	<b>(598,072)</b>	-	<b>(1,715,926)</b>

## 11. Retirement Benefits

### 11.1. Overview

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

Employees who joined the public service since 1 January 2013 are members of the Single Public Service Pension Scheme (as set out in Note 2.6). This is a defined benefit scheme, with benefits based on career-average earnings.

In summary, the arrangements for all schemes are that:

- i. IAASA employees' scheme contributions are paid to the Department;
- ii. IAASA pays an employer contribution to the Department, the rate of which is set by the Minister for Public Expenditure & Reform. The rate applicable in 2018 was 25% [2017: 25%]; and
- iii. in return for the payment to it of the employees' and employer's contributions, the Department has committed that any benefits due to IAASA employees, and/or their spouses, civil partners and children will be met in full by the Exchequer as they fall due.

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

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

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

## 2018: Financial & Related Statements

### 11.2. Actuarial valuation

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

	At 31-12-2018	At 31-12-2017
Rate of increase in salaries	2.75%	2.75%
Rate of increase in pensions in payment	2.25%	2.25%
Discount rate	2.00%	1.80%
Inflation assumption	1.75%	1.75%
Life expectancy at age 70:		
Current pensioners – male	17.9 years	17.9 years
Current pensioners – female	20.2 years	20.2 years
Future pensioners – male	18.4 years	18.4 years
Future pensioners – female	20.8 years	20.8 years

Based on the above, the present value of liabilities at the balance sheet date is €3,829,000 [2017: €3,328,000], and the service cost (calculated on the foregoing assumptions) for the year is €312,000 [2017: €335,000]. Certain of IAASA's staff, who have accumulated service elsewhere in the public service, have not to date exercised the option to transfer said service to IAASA.

### 11.3. Analysis of total pension costs charged to Statement of Income & Expenditure

	2018 €	2017 €
Total employer contribution	475,572	372,423
*Current service cost	432,000	335,000
Interest cost	60,000	47,000
Adjustment to deferred Exchequer pension funding	(492,000)	(382,000)
Total charged to Statement of Income & Expenditure	<b>475,572</b>	<b>372,423</b>

\*Employee contributions totalling €119,844 [2017: €80,467] have been included in the calculation of the current service cost.

## 2018: Financial & Related Statements

### 11.4. Movement in net pension liability

	2018 €	2017 €
Net Pension Liability at 1 January	<b>3,328,000</b>	<b>2,665,000</b>
Current Service Cost	432,000	335,000
Interest Cost	60,000	47,000
Experience losses on scheme liabilities	279,000	83,000
Changes in assumptions	(261,000)	204,000
Pensions paid in the year (rounded)	(9,000)	(6,000)
Net Pension Liability at 31 December	<b>3,829,000</b>	<b>3,328,000</b>

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

	2018 €	2017 €	2016 €	2015 €	2014 €
Scheme liability	3,829,000	3,328,000	2,665,000	1,822,000	1,743,000
Experience (gains) on scheme liabilities	279,000	83,000	23,000	(44,000)	(13,000)
Changes in assumptions	(261,000)	204,000	568,000	(155,000)	499,000

## 12. Capital Account

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

## 2018: Financial & Related Statements

### 13. Revenue

#### 13.1. Approved Programme of Expenditure

IAASA's Programme of Expenditure for the year, as approved by the Minister under section 911(1) of the Act, was €5,940,000 [2017: €5,622,000] as laid out below. This includes Exchequer funding (via the Department's Vote 32, Subhead C12) to a maximum of €835,000 [2017: €790,000] made available during the year in respect of IAASA's functions under the Transparency Directive. The Audit Inspections and Audit Standards Adoption functions were funded by PIE Audit Firms and Recognised Accountancy Bodies respectively.

	Exchequer €	PABs €	PIE Audit Firms €	Total €
Recurrent Expenditure	1,206,000	1,801,000		3,007,000
Approved allocation in respect of audit standards adoption		319,000		319,000
Approved allocation in respect of audit investigation activities			1,779,000	1,779,000
Approved allocation in respect of Transparency Directive activities	835,000			835,000
<b>Total</b>	<b>2,041,000</b>	<b>2,120,000</b>	<b>1,779,000</b>	<b>5,940,000</b>

The foregoing amounts totalling €5,940,000 were used as a basis for billing the respective funders in 2018, less amounts due to these funders at the start of the year totalling €1,978,262. Adjusted expenditure for the year amounted to €3,705,173. Further analyses of these amounts are disclosed in Note 10, including the balance due to funders at year end of €1,715,926.

	2018 €	2017 €
<b>13.2. Analysis of Income</b>		
<i>Recurrent Income under the Act</i>		
Exchequer Grant Income: Vote 32, Subhead C12	634,097	643,583
PABs' Levies	951,146	965,374
<i>Income in respect of Transparency Directive Activity</i>		
Exchequer Grant Income: Vote 32, Subhead C12	739,352	391,459
<i>Income in respect of Audit Quality Unit</i>		
RABs' Levies	199,650	105,855
PIE Audit Firms	1,180,928	935,475
<i>Income in respect of Liquidator Registration</i>		
Application fees received from liquidators	2,000	50,000
<i>Income in respect of Third Country Audit Entity Registration</i>		
Registration fees received from Third Country Audit Entities	35,913	36,000
	<b>3,743,086</b>	<b>3,127,746</b>

## 2018: Financial & Related Statements

### 14. Staff Costs

	2018 €	2017 €
Salaries	2,037,601	1,621,970
Employer PRSI Contributions	207,430	163,485
Employer Retirement Benefit Contributions	475,572	372,423
	<b>2,720,603</b>	<b>2,157,878</b>

The estimated 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 €143,436 [2017: €116,331].

The average number of employees during the year was 26 [2017: 22]. IAASA's complement of full time staff at 31 December 2018 was 29 [2017: 24].

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

In accordance with Department of Public Expenditure & Reform requirements, an analysis of total employee remuneration (including salaries and other benefits, but excluding holiday pay accruals and employer superannuation contributions) for those earning over €60,000 is set out below:

	2018	2017
€60,000 to €69,999	3	-
€70,000 to €79,999	2	5
€80,000 to €89,999	10	7
€90,000 to €99,999	6	3
€100,000 to €109,999	1	-
€110,000 to €119,999	-	-
€120,000 to €129,999	-	-
€130,000 to €139,999	-	1
€140,000 to €149,999	1	-
	<b>23</b>	<b>16</b>

### 15. Board fees and expenses

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

	2018 €	2017 €
Martin Sisk	11,970	11,970
Marie Daly	-	7,695
David Devlin	7,695	7,695
Etain Doyle	7,695	7,695
Nicole Lappin	7,695	2,298
Aileen O'Donoghue	7,695	7,695
	<b>42,750</b>	<b>45,048</b>

In addition, a total of €11,721 [2017: €7,594] was incurred by Board members during the year in furtherance of their duties. These amounts include both expenses paid directly to Board members and those incurred by IAASA on their behalf. Expenses paid to or incurred on behalf of the Chief Executive, who is also a Board member, totalled €18,233 [2017: €22,266], as detailed in Note 25.

### 16. Travel & Subsistence

	2018 €	2017 €
National	51,418	39,477
International	59,452	68,167
	<b>110,870</b>	<b>107,644</b>

These amounts include travel and subsistence paid to Board members. The total paid to Board members (excluding the Chief Executive) for national travel and subsistence in 2018 is €8,938 [2017: €5,803] and for International travel and subsistence in 2018 is Nil [2017: Nil]

## 2018: Financial & Related Statements

### 17. Consultancy, Legal and Professional Services

	2018 €	2017 €
Legal Advice		
– General	53,898	57,536
– Audit Reform Legislation	88,681	5,055
– Registration of Liquidators	10,252	15,044
– Committees of Enquiry – Section 933	41,656	14,087
PR Services	3,444	-
Recruitment Services	25,584	66,666
GDPR	19,219	-
Audit Reform	-	14,500
Registration of Liquidators	-	9,567
	<b>242,734</b>	<b>182,455</b>
<i>Professional Services</i>		
Financial Statement Review (Transparency Directive)	65,820	89,355
Committees of Enquiry – Section 933	29,023	14,095
Internal Audit & Actuarial Services	10,578	12,177
Other	216	9,585
	<b>105,637</b>	<b>125,212</b>
<b>Total</b>	<b>348,371</b>	<b>307,667</b>

All consultancy costs are business-as-usual costs.

### 18. Office Expenditure – Entertainment/hospitality

No expenditure on entertainment/hospitality was incurred in 2018 [2017: €6,913]. Entertainment/hospitality expenditure in 2017 includes expenditure incurred in hosting an EU conference in October 2017.

### 19. Auditor's remuneration

	2018 €	2017 €
Audit of company financial statements	<b>13,000</b>	<b>13,000</b>

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

## 2018: Financial & Related Statements

### 20. Finance income – analysis of interest receivable

Notice deposit accounts	Reserve Fund €	Non-Reserve €	TOTAL €	2017 €
Gross interest receivable	154	63	217	1,566
DIRT	(63)	(26)	(89)	(642)
Net interest receivable	<b>91</b>	<b>37</b>	<b>128</b>	<b>924</b>

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

	2018 €	2017 €
(Deficit) for the year	<b>(102,586)</b>	<b>(13,358)</b>
Non Operating Items:		
Less: Finance income	(591)	(761)
Add:	<b>(103,177)</b>	<b>(14,119)</b>
(Decrease) in Payables	(586)	(92,261)
Increase in Excess PABs Levy Income	164,437	440,806
(Decrease)/Increase in Excess Departmental Grant Income	(255,320)	214,515
(Decrease)/Increase in Excess PIE Levy Income	(171,453)	319,986
Decrease in Receivables	42,780	624,749
Decrease/(Increase) in Inventory	12	(614)
Decrease/(Increase) in Deferred Finance Lease Costs	879	(1,189)
(Decrease)/Increase in Finance Lease Obligations	(4,306)	7,041
(Decrease)/Increase in Deferred Rent Incentive	(6,711)	12,264
Depreciation	55,904	44,395
	<b>(174,364)</b>	<b>1,569,692</b>
Net Cash (Outflow)/Inflow from Operating Activities	<b>(277,541)</b>	<b>1,555,573</b>

### 22. Analysis of changes in net funds

	Cash at Bank & on Hand €	Cash on Fixed Term Deposit (Non-Reserve) €	Cash on Fixed Term Deposit (Reserve) €	TOTAL €
Balance at 1 January 2018	830,271	1,221,941	400,949	2,453,161
Cash flow for year	(301,447)	77	514	(300,856)
Balance at 31 December 2018	<b>528,824</b>	<b>1,222,018</b>	<b>401,463</b>	<b>2,152,305</b>

### 23. Taxation

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

### 24. Financial Commitments

#### 24.1. Capital Commitments

There are no capital commitments as at 31 December 2018.

#### 24.2. Rental commitments

IAASA's premises are leased on behalf of the State by the OPW. IAASA in turn rents the premises from the OPW, but has provided no undertakings in this regard. Given that IAASA is not a party to the lease, it has no rental commitments in the coming twelve months. Rental commitments under the lease in the coming twelve months, which are payable by the OPW, will be €195,646 [2017: €195,646]

### 25. Chief Executive's salary and expenses

Mr Kevin Prendergast was appointed as Chief Executive from 14 November 2016. His remuneration is detailed below. The amount is approved by the Minister with the consent of the Minister for Public Expenditure & Reform. The Chief Executive was not entitled to receive a Board fee, and the Performance Related Bonus Scheme was not in operation in 2018. Mr Prendergast remains a member of the Civil Service Pension Scheme. The foregoing represents the Chief Executive's total remuneration package for the period.

	2018 €	2017 €
Gross salary	138,516	132,147
	<b>138,516</b>	<b>132,147</b>

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

	2018 €	2017 €
Professional memberships ( <i>subject to BIK where applicable</i> )	1,534	1,465
Travel & Subsistence, incl. air fares	11,376	14,648
Mobile phone costs	718	581
Internet Services	242	275
Training	4,000	5,000
Incidentals	363	297
	<b>18,233</b>	<b>22,266</b>

## 26. Related Party Transactions

### 26.1. Directors

Details of all payments made to IAASA non-executive directors and the Chief Executive are set out in Notes 15 and 25 respectively. There were no other transactions with directors during the year [2017: nil], and no balances outstanding at the reporting date [balance at 31 December 2017: nil].

### 26.2. Key management personnel

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

### 26.3. Other related parties

There were no other related party transactions during 2018 or 2017 and there were no amounts outstanding at either year end.

## 27. Board Members – Disclosure of Transactions

In accordance with the Code of Practice for the Governance of State Bodies, IAASA has in place a Code of Business Conduct for Board members. The Code of Business Conduct includes guidance in relation to the disclosure of interests by Board members and these procedures have been adhered to by the Board during the year covered by these financial statements. During the year under review, there were no financial transactions with directors other than the payment of Board fees and expenses detailed in Note 15. There were no occasions whereby a Board Member disclosed a financial interest during 2018.

## 28. Approval of the Financial Statements

The Financial Statements were approved and authorised for issue by the Board of Directors on 28 May 2019.

## **2018:** Financial & Related Statements

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

# **Appendices**

# Appendix 1

Board Membership at Year End and Changes in Composition Since Last Annual Report

## Composition of Board at 31 December 2018

Board member	Occupation	Nominating body	Date appointed
Martin Sisk (Chairperson)	Solicitor and former regulator	Minister	21 December 2016
Mary Burke*	Head of the Prudential Policy and Governance, Central Bank	Central Bank	14 October 2015
Caitriona Crowley	Principal Officer, Revenue Commissioners	Revenue Commissioners	3 January 2018
David Devlin*	Accountant	PABs	30 May 2014
Etain Doyle*	Accountant	PABs	30 May 2014
Nicole Lappin	Barrister	Minister	13 September 2017
Aileen O'Donoghue	Director of Strategy, Policy and Communication, ISE	ISE	3 January 2014
Conor O'Mahony	Principal Officer, ODCE	Director of Corporate Enforcement	1 March 2012
Kevin Prendergast	Chief Executive	<i>Ex-officio</i>	14 November 2016

## Details of appointments and reappointments to the Board during the year

Director	Date appointed	Nominating body	Reason for vacancy	Term Expires
Caitriona Crowley	3 January 2018	Revenue Commissioners	Expiration of warrant of appointment of Ms Deirdre Behan on 2 January 2018	2 January 2021

## Details of resignations from the Board during the year by nominees of former members

Director	Occupation	Nominating body	Date of resignation
Deirdre Behan	Principal Officer	Revenue Commissioners	2 January 2018
Marie Daly	Solicitor	IBEC	2 January 2018

\* Denotes membership of a Prescribed Accountancy Body

# Appendix 2

## Issuers Examined by The Financial Reporting Supervision Unit During 2018

### Equity issuers examined in 2018

Issuer	Report type	Examination type	Reporting date
Aryzta AG	Annual	Unlimited	31 July 2017
Aryzta AG	Annual	Follow-up	31 July 2018
Bank of Cyprus Holdings plc	Annual	Unlimited*	31 December 2017
Bank of Ireland Group plc	Annual	Focused	31 December 2017
Bank of Ireland Group plc	Annual	Follow-up	31 December 2017
C&C Group plc	Annual	Unlimited	28 February 2018
CRH plc	Annual	Focused	31 December 2017
CRH plc	Annual	Follow-up	31 December 2017
Dalata Hotel Group plc	Annual	Follow-up	31 December 2017
Datalex plc	Annual	Follow-up	31 December 2017
DCC plc	Annual	Follow-up	31 March 2018
DCC plc	Half-yearly	Focused*	30 September 2018
FBD Holdings plc	Annual	Focused	31 December 2017
Glanbia plc	Annual	Focused	30 December 2017
Glanbia plc	Annual	Follow-up	30 December 2017
Glenvagh Properties plc	Annual	Unlimited	31 December 2017
Grafton Group plc	Annual	Unlimited	31 December 2017
Green REIT plc	Annual	Follow-up	30 June 2018
Greencore Group plc	Annual	Unlimited	29 September 2017
Greencore Group plc	Annual	Follow-up	28 September 2018
Greencore Group plc	Annual	Focused*	28 September 2018
Independent News and Media plc	Annual	Unlimited	31 December 2017
Irish Continental Group plc	Annual	Unlimited	31 December 2017
Kerry Group plc	Annual	Focused	31 December 2017
Kerry Group plc	Annual	Follow-up	31 December 2017
Kingspan Group plc	Annual	Focused	31 December 2017
Kingspan Group plc	Half-yearly	unlimited	30 June 2018
PaddyPowerBetfair plc	Annual	Follow-up	31 December 2017
PTSB Group Holdings plc	Annual	Focused*	31 December 2017
Ryanair Holdings plc	Annual	Focused	31 March 2018

## Appendices

### Closed-ended Fund issuers examined in 2018

Issuer	Report type	Examination type	Reporting date
Aberdeen Diamond Private Equity III plc	Annual	Unlimited	31 March 2017
Carador Income Fund plc	Annual	Unlimited	31 December 2017
Vietnam Phoenix Fund Limited	Annual	Follow-up	31 December 2017

### Debt issuers examined in 2018

Issuer	Report type	Examination type	Reporting date
Boost Issuer plc	Half-yearly	Follow-up	30 June 2018
Boost Issuer plc	Half-yearly	Unlimited	30 June 2017
Freshwater Finance plc	Annual	Follow-up	31 December 2017
Haitong Investment Ireland plc	Annual	Unlimited	31 December 2016
Haitong Investment Ireland plc	Annual	Follow-up	31 December 2017
Ipanema Capital plc	Annual	Follow-up	30 April 2018
Ipanema Capital plc	Annual	unlimited	30 April 2017
Pelican Mortgages No 1 plc	Half-yearly	Follow-up	30 June 2018
Stratus Capital plc	Annual	Unlimited	31 December 2016
Stratus Capital plc	Annual	Follow-up	31 December 2017
Vespucci Structured Financial Products plc	Annual	Unlimited*	31 December 2017
Willow No. 2 (Ireland) plc	Annual	Unlimited*	31 December 2017

#### Notes:

- Unlimited scope and focused examinations are different in nature to follow-up examinations and are, therefore, classified as a separate examination. For that reason an issuer may appear more than once in the list of examinations for the same financial statements.
- The examinations performed by IAASA during 2018 (as above) includes six examinations (marked as \* above) which were commenced in 2018 and were on-going as at 31 December 2018.
- The issuers selected for thematic examinations are listed in the publication, if any, resulting from the thematic examination and are not, therefore, listed in the above Table.

# Appendix 3

Reports Issued by The Regulatory and Monitoring Supervision Unit During 2018

<b>RAB/PAB</b>	<b>Function Reviewed</b>
Association of Chartered Certified Accountants	Quality assurance system
Chartered Institute of Management Accountants	Investigation and disciplinary arrangements
Institute of Chartered Accountants in England and Wales	Quality assurance and licensing systems
Institute of Chartered Accountants in Ireland	Quality assurance system
Institute of Chartered Accountants of Scotland	Quality assurance and licensing systems

# Appendix 4

## Publications Issued by IAASA During 2018

### Corporate and General Publications

- Annual Report 2017
- Annual Audit Programme and Activity Report 2017
- Brexit and its potential impact on Audit and Accountancy

### Audit Inspection

- Consultation on the publications and grading policy related to PIE audit firms

### Auditing Standards

- Consultation Paper on Proposal to Revise ISA (Ireland) 540 Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures
- Feedback Paper – Issue of supplementary standards and guidance
- Response to Monitoring Group Consultation Paper – Strengthening the Governance and Oversight of the International Audit-Related Standard-Setting Boards in the Public Interest
- Statement on Scope and Authority of Audit and Assurance Pronouncements

### Financial Reporting Supervision

- Observations on selected financial reporting issues issuers' financial years ending on or after 31 December 2018
- Financial Reporting Decisions 1/3
- Financial Reporting Decisions 2/3
- Financial Reporting Decisions 3/3
- IFRS 15 Revenue from Contracts with Customers – thematic review of disclosures in 2018 half-yearly financial reports
- IFRS 3 Business Combinations – Thematic Review
- Bank Covenants – Thematic Review
- Snapshot of IAASA's financial reporting enforcement activities in 2017

### Regulatory and Monitoring Supervision

- Profile of the Profession 2017

# Appendix 5

## Protected Disclosures Report 2018

Section 22 of the Protected Disclosures Act 2014 requires the publication of a report each year relating to the number of protected disclosures made in the preceding year and also for the publication of information with regard to any actions taken in response to protected disclosures made.

One protected disclosure was received by the Irish Auditing and Accounting Supervisory Authority in the year ended 31 December 2018. This matters raised were addressed in accordance with the IAASA's published procedures (which are available on the Authority's website). No formal action was taken as a result.

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

# **Glossary**

## Glossary

<b>AAC</b>	Audit and Assurance Council of the FRC
<b>ACCA</b>	Association of Chartered Certified Accountants
<b>Act, the</b>	Companies Act 2014
<b>AIA</b>	Association of International Accountants
<b>Authority, the</b>	Irish Auditing and Accounting Supervisory Authority
<b>BEPS</b>	Base Erosion and Profit Shifting
<b>Bill, the</b>	Companies (Statutory Audits) Bill 2017
<b>C&amp;AG</b>	Comptroller and Auditor General
<b>Central Bank</b>	Central Bank of Ireland
<b>CIMA</b>	Chartered Institute of Management Accountants
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy
<b>CLRG</b>	Company Law Review Group
<b>Code, the</b>	Code of Practice for the Governance of State Bodies
<b>CPA</b>	Institute of Certified Public Accountants in Ireland
<b>CRC</b>	Corporate Reporting Council of the FRC
<b>CRO</b>	Companies Registration Office
<b>Department</b>	The Department of Business, Enterprise & Innovation
<b>DPER</b>	Department of Public Expenditure and Reform
<b>EC</b>	European Commission
<b>EEA</b>	European Economic Area
<b>EECS</b>	European Enforcers' Co-ordination Sessions
<b>ESMA</b>	European Securities and Markets Authority
<b>EU</b>	European Union
<b>FRC</b>	Financial Reporting Council
<b>FRS</b>	Financial Reporting Standard
<b>GAAP</b>	Generally Accepted Accounting Principles
<b>IAASB</b>	International Auditing and Assurance Standards Board
<b>IAS</b>	International Accounting Standard(s)
<b>IAS 1</b>	IAS 1 Presentation of Financial Statements
<b>IAS 12</b>	IAS 12 Income Taxes
<b>IAS 34</b>	IAS 34 Interim Financial Reporting

## Glossary

<b>IAS 36</b>	IAS 36 Impairment of Assets
<b>IASB</b>	International Accounting Standards Board
<b>IBEC</b>	Irish Business and Employers' Confederation
<b>ICAEW</b>	Institute of Chartered Accountants in England and Wales
<b>ICAI</b>	Institute of Chartered Accountants in Ireland
<b>ICAS</b>	Institute of Chartered Accountants of Scotland
<b>IFIAR</b>	International Forum of Independent Audit Regulators
<b>IFRS</b>	International Financial Reporting Standards
<b>IFRS 7</b>	IFRS 7 Financial Instruments: Disclosure
<b>IFRS 8</b>	IFRS 8 Operating Segments
<b>IFRS 13</b>	IFRS 13 Fair Value Measurement
<b>IFSC</b>	International Financial Services Centre
<b>IIPA</b>	Institute of Incorporated Public Accountants
<b>ISAs</b>	International Standards on Auditing
<b>ISE</b>	Irish Stock Exchange
<b>Issuer</b>	An entity coming within IAASA's remit under the Transparency Regulations
<b>Minister, the</b>	Minister for Business, Enterprise & Innovation
<b>MoU</b>	Memorandum of Understanding
<b>ODCE</b>	Office of the Director of Corporate Enforcement
<b>PAB</b>	Prescribed Accountancy Body
<b>PCAOB</b>	Public Company Accounting Oversight Board (US)
<b>PEC</b>	Preliminary Enquiry Committee (Section 933)
<b>Periodic Financial Reports</b>	Refers collectively to annual and half-yearly financial reports published pursuant to the Transparency Regulations
<b>PIE</b>	Public Interest Entity
<b>RAB</b>	Recognised Accountancy Body
<b>Relevant reporting framework</b>	The body of financial reporting standards, legislation, codes and rules with which issuers are required to comply in preparing the annual and half-yearly financial reports
<b>SI</b>	Statutory Instrument
<b>SI 312</b>	Statutory Instrument 312 European Union (Statutory Audits) (Directive 2006/43/EC, as amended by Directive 2014/56/EU, And Regulation (EU) No 537/2014) Regulations 2016
<b>Third country</b>	Non-EU

## Glossary

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<b>Transparency Regulations/TD Regs</b>	Transparency (Directive 2004/109/EC) Regulations,2007
<b>Transparency Directive</b>	Directive 2004/109/EC
<b>Transparency Rules</b>	Transparency Rules issued by the Central Bank of Ireland (November 2012)
<b>2003 Act, the</b>	Companies (Auditing and Accounting) Act, 2003 (repealed)
<b>2018 Act, the</b>	Companies (Statutory Audits) Act 2018

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**IAASA**

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