IAASA

Irish Auditing & Accounting Supervisory Authority

Survey of Directors' Critical Accounting Judgments and Auditors' Assessed Risks of Material Misstatement

November 2015

MISSION STATEMENT

Our mission is to promote high quality financial reporting and effective regulation of accountants and auditors through the delivery of independent and effective supervision which protects the public interest

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1. Introduction

IAASA (Ireland's accounting enforcer) carried out a desk top survey on matters identified by equity issuers' directors as critical accounting judgements, together with a comparison of the assessed risks of material misstatement identified by the issuers' independent auditors in their audit reports. This publication presents the results of that survey.

International accounting standards require the disclosure of judgements that have the most significant effect on the amounts recognised in the financial statements.[1] International Standards on Auditing (UK and Ireland) require auditors to provide a description of those assessed risks of material misstatement that were identified by the auditor and which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.[2]

IAASA's survey is based on the 2014/15 annual financial reports published by 20 equity issuers as listed in Appendix I. The issuers sampled for survey were selected randomly and the objective of the sample was to (a) cover a cross-section of industry sectors and (b) to survey issuers ranging from the larger issuers in terms of market capitalisation to smaller-sized entities.

In undertaking this desk top survey, additional information was not sought from the selected equity issuers or their auditors.

2. Purpose of the survey

The primary purpose of the survey was to:

a) determine the critical accounting judgements which the selected issuers' directors considered to be the most significant when preparing the 2014/15 financial statements;

b) determine the assessed risks of material misstatement identified by those issuers' auditors; and

c) provide preparers, auditors and users of financial statements with factual information which may encourage discussion and debate on the nature and extent of assessed risks and judgements made in the 2014/15 financial statements.

3. Directors' critical accounting judgements

IAASA has previously reminded issuers' Boards and Audit Committees of the need to disclose judgements that have the most significant effect on the amounts recognised in the financial statements in its 2008 *Observations* (Section 6) and its 2010 *Observations* (Item 1.2) documents.

IAASA's desk top survey identified that a total of 108 critical accounting judgements analysed across 36 topics were identified by the issuers' directors. As shown in Figure 1 below, the most common critical accounting judgements made by directors were:

a) taxation – identified in 75% of the selected financial statements;

b) retirement benefit obligations – identified in 60% of the selected financial statements;

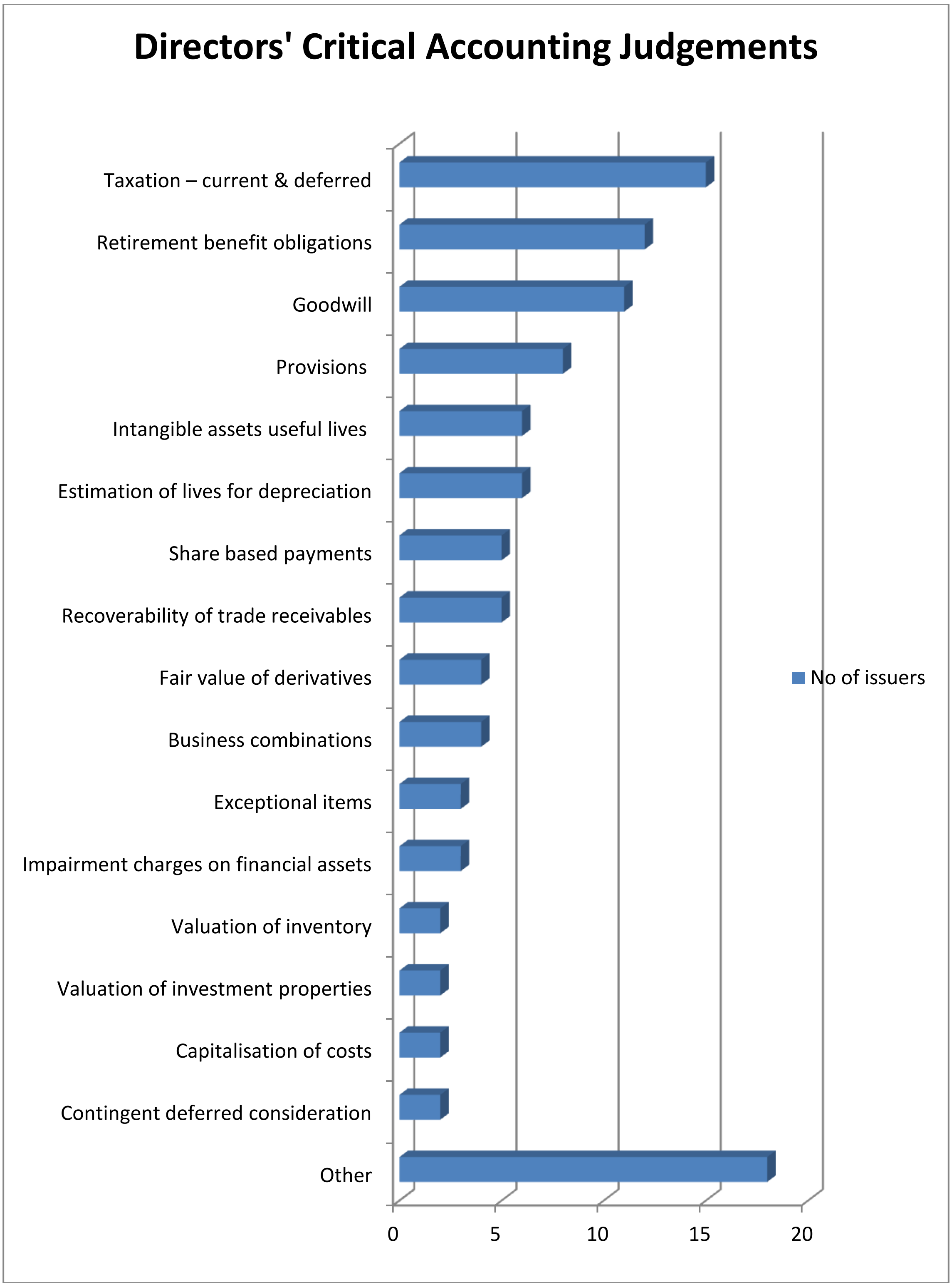
c) goodwill impairment – identified in 55% of the selected financial statements; and

d) provisions – identified in 40% of the selected financial statements.

By way of example, appendix II sets out extracts of the critical accounting judgements from the annual financial statements of Aer Lingus Group plc, Kerry Group plc and C&C Group plc. These examples provide a range and flavour of critical accounting judgments and presentation styles for illustration purposes.

[1] Paragraph 122 of IAS 1 *Presentation of Financial Statements*
[2] Paragraph 19A of ISA (UK and Ireland) 700 *The independent auditor's report on financial statements*

Figure 1 – Directors' Critical Accounting Judgements



The number of critical accounting judgements disclosed and reported by issuers' directors ranged from three in one set of financial statements to ten in another.

Twelve issuers disclosed the critical accounting judgements as a separate note within the financial statements, while five issuers included the critical accounting judgements within the accounting policies note. Three issuers embedded the critical accounting judgements in the relevant note to the financial statements.

Figure 2 below analyses the location of the critical accounting judgment disclosures for each issuer selected for this survey.

Figure 2 – Location of Critical Accounting Judgement disclosures

No.	Issuer	Separate note	Within accounting policies note	Under the relevant topic note
1	Aer Lingus Group plc	✓		
2	Bank of Ireland	✓		
3	C&C Group plc			✓
4	CRH plc		✓	
5	Datalex plc	✓		
6	DCC plc	✓		
7	Dragon Oil plc	✓		
8	FBD Holdings plc		✓	
9	Glanbia plc	✓		
10	Grafton Group plc	✓		
11	Greencore Group plc			✓
12	IFG Group plc	✓		
13	Independent News and Media plc		✓	
14	Irish Residential Properties REIT plc	✓		
15	Kerry Group plc		✓	
16	Kingspan Group plc		✓	
17	Paddy Power plc	✓		
18	Ryanair Holdings plc	✓		
19	Smurfit Kappa Group plc	✓		
20	UDG Healthcare plc			✓

4. Auditors' assessed risks of material misstatement

IAASA's desk top survey noted that a total of 81 assessed risks of material misstatement across 34 topics were identified by the auditors. As shown in Figure 3 below, the most common risks of material misstatement were:

a) assessment of goodwill – identified in 55% of audit reports reviewed;

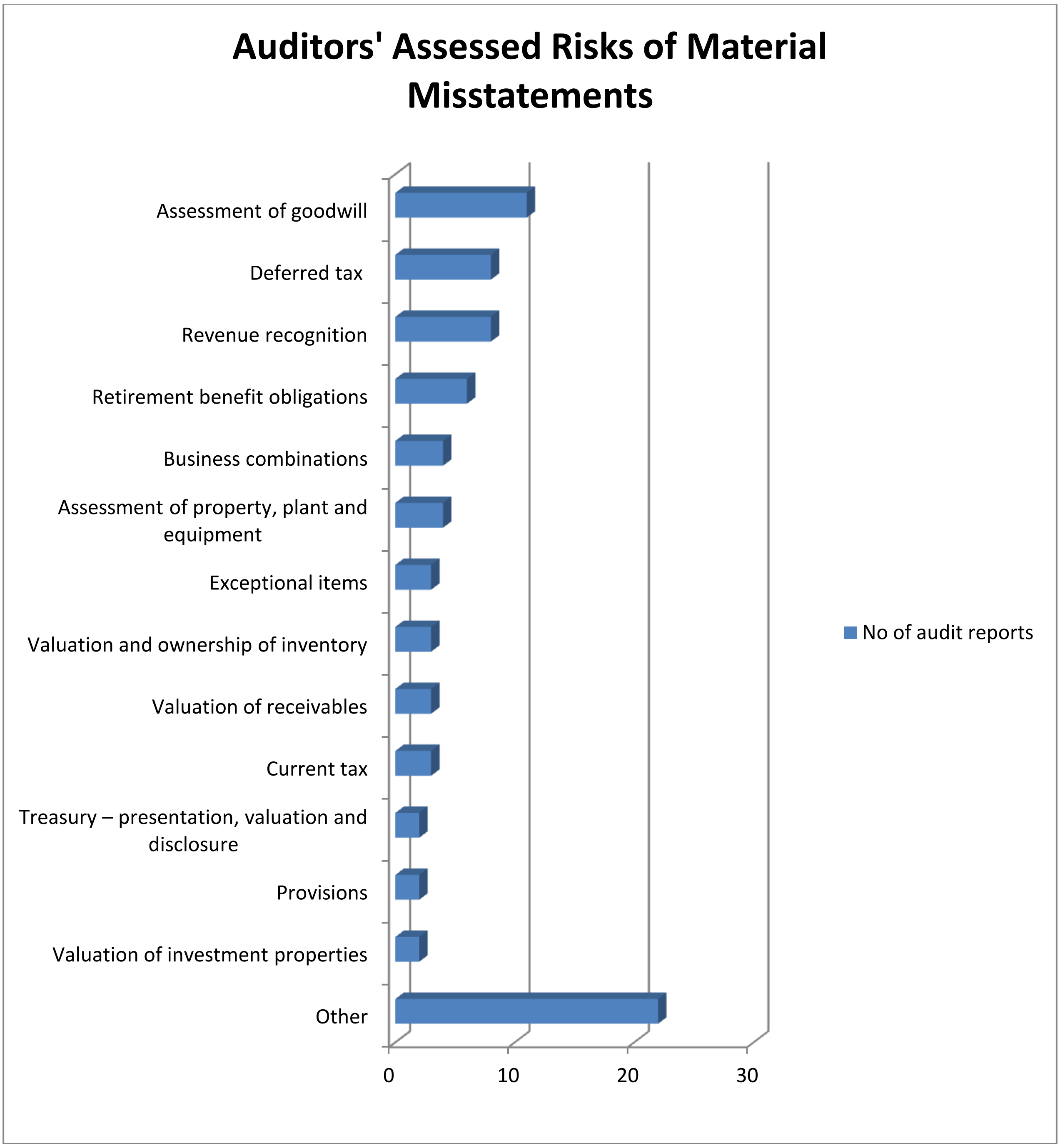
b) deferred tax – identified in 40% of audit reports reviewed;

c) revenue recognition – identified in 40% of audit reports reviewed; and

d) retirement benefit obligations – identified in 30% of audit reports reviewed.

The number of assessed risks of material misstatement identified and reported by the auditors ranged from two in one audit report to six in another. By way of example, appendix III sets out extracts from the Independent auditors' reports which provide examples of assessed risks of material misstatement together with, examples of presentation style.

Figure 3 – Auditors' assessed risks of material misstatement



5. Conclusions

Unsurprisingly there is some degree commonality among the risks assessed by the auditors and the judgements outlined by the directors although the directors and auditors have different responsibilities. Under Irish company law, the directors are responsible for the preparation of the financial statements for each financial year, which give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period. An auditor's responsibility is to audit and express an opinion on the financial statements in accordance with the law and the International Standards on Auditing (UK and Ireland). However, the different responsibilities can result in some matters being either identified by the auditors as assessed risks and not identified by the directors as critical accounting judgments and vice versa. For example, auditors identified revenue recognition as an assessed risk of material misstatement in eight of the twenty audit reports reviewed, whereas just one issuer identified revenue recognition as a director critical accounting judgment. Such differences are understandable and expected given the different responsibilities of both the auditors and directors.

It is noted that there are no requirements for the auditors' assessed risks of material misstatement and the directors' critical accounting judgements to be identical or indeed similar.

It is also of interest that there is a variety of critical accounting judgments reported between issuers. However given the different sectors within which issuers operate, such differences are not unexpected. For example, in the case of Aer Lingus Group plc, the directors identified the "*estimation of residual values of aircraft*" as a critical accounting judgment which would reasonably appear to be specific to an airline business but clearly would not be a critical accounting judgment for other issuers.

It is expected that directors' critical accounting judgment disclosures should be provided in such a manner as to help users of the financial statements to understand the judgments, assumptions and estimations that the directors have made about the future. It is reasonable to conclude that the nature and extent of the disclosures provided will vary according to the circumstances.

Finally, it is also of interest that a number of the topics identified by the directors' as critical accounting judgements, together with the assessed risks of material misstatement identified by the independent auditors are consistent with issues identified and discussed by IAASA in its 2008 – 2015 *Observations* documents. Such topics will have been raised with individual issuers through IAASA's enforcement activities and in some instances undertakings have been received from directors with regard to these matters.

IAASA's 2015 *Observations* document reminded directors and Audit Committees to give careful consideration to the quality and extent of the critical accounting judgments given the significance of such disclosures (by their nature) to users of the financial statements.

Appendix I

Equity issuers included in this survey

The equity issuers falling under IAASA's financial reporting examination remit which were selected for inclusion in the directors' judgments and assumptions and auditors' risks of material misstatement survey are listed below.

No.	Issuer	Reporting date	Auditor
1	Aer Lingus Group plc	31 December 2014	PricewaterhouseCoopers
2	Bank of Ireland	31 December 2014	PricewaterhouseCoopers
3	C&C Group plc	28 February 2015	KPMG
4	CRH plc	31 December 2014	EY
5	Datalex plc	31 December 2014	PricewaterhouseCoopers
6	DCC plc	31 March 2015	PricewaterhouseCoopers
7	Dragon Oil plc	31 December 2014	EY
8	FBD Holdings plc	31 December 2014	Deloitte
9	Glanbia plc	03 January 2015	PricewaterhouseCoopers
10	Grafton Group plc	31 December 2014	KPMG
11	Greencore Group plc	26 September 2014	KPMG
12	IFG Group plc	31 December 2014	PricewaterhouseCoopers
13	Independent News and Media plc	31 December 2014	KPMG
14	Irish Residential Properties REIT plc	31 December 2014	PricewaterhouseCoopers
15	Kerry Group plc	31 December 2014	Deloitte
16	Kingspan Group plc	31 December 2014	KPMG
17	Paddy Power plc	31 December 2014	KPMG
18	Ryanair Holdings PLC	31 March 2015	KPMG
19	Smurfit Kappa Group plc	31 December 2014	PricewaterhouseCoopers
20	UDG Healthcare plc	30 September 2014	KPMG

Selected extracts of Directors' Critical Accounting Judgements

Aer Lingus Group plc

Annual financial statements – Year ended 31 December 2014

Critical Accounting Judgements (disclosed in a separate note)

3 Critical accounting estimates and judgements

Except as disclosed in Note 2.1, the accounting policies adopted are consistent with those of the previous financial year. The Group believes that of its significant accounting policies and estimates, the following may involve a higher degree of judgement and complexity:

(a) Provisions
The Group makes provisions for legal and constructive obligations which are outstanding at the reporting date. These provisions are made based on historical or other relevant information, adjusted for recent trends where appropriate. However, provisions represent estimates of the financial costs of events that may not occur for some years. The basis for these estimates are reviewed and updated at least annually and where information becomes available that may give rise to a material change. Measurement uncertainty associated with aircraft maintenance provisions also arises from the timing and nature of overhaul activity required, lease return dates and conditions, and likely utilisation of the aircraft. As a result of this and the level of uncertainty attaching to the final outcomes, the actual results may differ significantly from those estimated. Refer to Note 28 for further details.

(b) Impairment of non-financial assets
Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In addition, indefinite lived assets are also reviewed for impairment annually at each reporting period end. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As this assessment involves long term projections which may not be realised, this is an area of judgement for management.

(c) Recoverability of deferred tax assets
The Group recognises tax assets where it is probable that those assets will be recovered. The assessment of the recoverability of deferred tax assets involves significant judgement. The main deferred tax asset recognised by the Group relates to unused tax losses. The Directors assess the recoverability of tax losses by reference to future profitability and tax planning, including fleet management decisions. Refer to Note 31 for further detail.

(d) Share based payments
The determination of the fair value of awards under the long term incentive plan, and of the share options and awards granted to the CEO involve the use of judgement and estimates. Their fair values have been estimated using binomial lattice or Monte Carlo simulation models. Refer to Note 33 for further detail.

(e) Fair value of derivatives and other financial instruments
The fair value of financial instruments that are not traded in active markets (for example, "over the counter" derivatives) is determined using valuation techniques. The Group exercises judgement in selecting valuation methods and makes assumptions that are mainly based on observable market data and conditions existing at each reporting date. The specific valuation techniques used to value financial instruments are set out in Note 20. Further judgement is exercised by management in considering the probability of occurrence of underlying hedge transactions, in particular the likelihood and timing of future fuel, US$ and aircraft purchases.

(f) Estimation of residual values of aircraft
The Group has determined the residual values of its aircraft as being 10% of original cost. The Group periodically examines its estimate of residual values in light of results of actual aircraft disposals and changing market conditions. Refer to Note 15 for further detail.

Kerry Group plc

Annual financial statements – Year ended 31 December 2014

Critical Accounting Judgements (disclosed within the accounting policies note)

1. Statement of accounting policies (continued)

Critical accounting estimates and judgements (continued)

Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired or whether a reversal of an impairment of intangible assets (other than on goodwill) should be recorded requires comparison of the value in use for the relevant cash generating units (CGUs) to the net assets attributable to those CGUs. The value in use calculation is based on an estimate of future cash flows expected to arise from the CGUs and these are discounted to net present value using an appropriate discount rate. The tests are dependent on management's estimates and judgements, in particular in relation to the forecasting of future cash flows, the discount rates applied to those cash flows, the expected long term growth rate of the applicable businesses and perpetuity rates. Such estimates and judgements are subject to change as a result of changing economic conditions. Details of the assumptions used and key sources of estimation involved are detailed in note 12 to these consolidated financial statements.

Income taxes and deferred tax assets and liabilities

The calculation of the income tax charge involves a degree of estimation and judgement as the Group operates in many jurisdictions and the tax treatment of certain items cannot be fully determined at the time of the original transaction. Furthermore, the Group can also be subject to tax audits in any of the jurisdictions in which it operates, which by their nature are often complex and can require several years to conclude. Amounts accrued in respect of tax and open tax audits are determined based on management's interpretation of the relevant tax laws, a probability-weighted expected value and likelihood of a successful conclusion.

The recognition of a deferred tax asset is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. Recognition, therefore, involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset exists.

'Income taxes' and 'Deferred tax assets and liabilities' are disclosed in notes 7 and 17 to these consolidated financial statements, respectively.

Retirement benefits obligation

The estimation of and accounting for retirement benefits obligation involves judgements made in conjunction with independent actuaries. These involve estimates about uncertain future events based on the environment in different countries, including life expectancy of scheme members, future salary and pension increases and inflation as well as discount rates. The assumptions used by the Group and a sensitivity analysis of a change in these assumptions are described in note 26.

Business combinations

When acquiring a business, the Group is required to bring acquired assets and liabilities on to the Consolidated Balance Sheet at their fair value, the determination of which requires a significant degree of estimation and judgement.

Acquisitions may also result in intangible benefits being brought into the Group, some of which qualify for recognition as intangible assets while other such benefits do not meet the recognition requirements of IFRS and therefore form part of goodwill. Judgement is required in the assessment and valuation of these intangible assets, including assumptions on the timing and amount of future cash flows generated by the assets and the selection of an appropriate discount rate.

Depending on the nature of the assets and liabilities acquired, determined provisional fair values may be associated with uncertainty and possibly adjusted subsequently as allowed by IFRS 3.

Business combinations are disclosed in note 31 to these consolidated financial statements.

Provisions

The amounts recognised as a provision are management's best estimate of the expenditure required to settle present obligations at the balance sheet date. The outcome depends on future events which are by their nature uncertain. In assessing the likely outcome, management bases its assessment on historical experience and other factors that are believed to be reasonable in the circumstances. Provisions are disclosed in note 25 to these consolidated financial statements.

Other areas

Other areas where accounting estimates and judgements are required,

C&C Group plc

Annual financial statements – Year ended 28 February 2015

Critical Accounting Judgements (disclosed within the relevant note to the financial statements)

BASIS OF PREPARATION

The Group and the individual financial statements of the Company are prepared on the historical cost basis except for the measurement at fair value of intangible assets acquired on the acquisition of a company or business, retirement benefit obligations, the revaluation of certain items of property, plant & equipment, share options at date of grant and derivative financial instruments. The accounting policies have been applied consistently by Group entities and for all periods presented.

The financial statements are presented in euro millions to one decimal place.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgement in the process of applying the Group and Company's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements relate primarily to:

- the determination of the fair value and the useful economic life of assets & liabilities, and intangible assets acquired on the acquisition of a company or business (note 10),
- the determination of carrying value of land (note 11),
- the determination of carrying value or depreciated replacement cost, useful economic life and residual values in respect of the Group's buildings, plant & machinery (note 11),
- the assessment of goodwill and intangible assets for impairment (note 12), and
- accounting for retirement benefit obligations (note 21).

These are discussed in more detail in the accounting policies and/or notes to the financial statements as referenced above. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Selected extracts from Independent Auditors' Reports regarding assessed risks of material misstatement

CRH plc

Annual financial statements – Year ended 31 December 2014

Extract from Ernst & Young's audit report

Principal risk area and rationale	
Assessment of the carrying value of goodwill The impairment review of goodwill, with a carrying value of €4.0bn, is considered to be a risk area due to the size of the balance as well as the fact that it involves significant judgement by management. Judgemental aspects include assumptions of future profitability, revenue growth, margins and forecast cash flows, and the selection of appropriate discount rates.	**Audit response** Our specialist valuations team performed an independent assessment against external market data of key inputs used by management in calculating appropriate discount rates, principally risk free rates, country risk premium and inflation rates. We reviewed and challenged the determination of the Group's 20 Cash Generating Units ('CGUs') and flexed our audit approach depending on our risk assessment and the level of headroom in each CGU. For all CGUs selected for detailed testing, we critically assessed all key assumptions in the models by challenging management's detailed calculations and benchmarking growth forecasts to external economic forecasts and construction activity measures. We challenged management's sensitivity analyses and performed our own sensitivity calculations to assess the level of headroom in place based on reasonably expected movements in such assumptions. We considered the adequacy of management's disclosures in respect of impairment testing and whether the sensitivity disclosures appropriately communicate the underlying sensitivities.
Assessment of the carrying value of property, plant and equipment and financial assets The impairment review of property, plant and equipment and financial assets, with a carrying value of €7.7bn and €1.4bn respectively, is considered to be a risk area due to the size of the balances as well as their judgemental nature, similar to that noted in the assessment of the carrying value of goodwill above.	**Audit response** In respect of the discount rate, we performed similar procedures to those noted above for goodwill. The Group operates a variety of business models and as a result the identification of CGUs for testing is based on these business models and management's assessment of impairment indicators. Similar audit procedures to those noted under goodwill above are performed in respect of the key assumptions underpinning the impairment models.
Accounting and disclosure requirements arising from the application of the held for sale requirements contained within IFRS 5 In 2013 management made a decision to divest of a number of business units across its operations. None of these businesses met the 'held for sale' criteria at 31 December 2013. The status of the businesses identified for disposal has evolved during the year with some having been disposed, others meeting the held for sale criteria and the remainder continuing to be assessed for impairment.	**Audit response** Throughout the year and in the subsequent period up to the date of approval of the financial statements, we have regular contact with management who inform us on the status of the various entities subject to disposal. We also review Board minutes where proposals in respect of businesses moving to disposal are presented. We challenged management's assessment by applying professional scepticism to the judgements made by management in concluding whether all relevant criteria had been met in order to classify businesses as held for sale in accordance with IFRS 5. We also tested whether depreciation of non-current assets and the accounting for the share of results of equity method investees ceased at the date of IFRS 5 classification and that foreign exchange recycling was calculated where relevant. We considered the adequacy of the disclosures in the financial statements in respect of held for sale assets (note 4).

Extract from PricewaterhouseCoopers audit report

Area of focus	How our audit addressed the area of focus
Intangible assets	
The Group has significant intangible assets consisting of goodwill, customer relationship brands and computer software (see note 19). Following the business disposals and consequent group restructuring during 2014, management have determined that there are two CGUs, James Hay Partnership (Platform segment) and Saunderson House (Independent Wealth Management segment). We focused on this area because of the size of the balances at the year end and the judgement applied in the assumptions used (primarily the assumed growth rates and the discount rate applied to the future cash flow forecasts) in the directors' assessment of the recoverable amount of the Group's cash generating units ("CGUs").	We evaluated and assessed the appropriateness of the directors' key assumptions within the future cash flow forecasts, the process by which they were drawn up, including comparing them to the latest Board approved budgets, and tested the underlying calculations therein. We also challenged the directors' short and long-term growth rates used within the forecasts, as summarised in note 19, by comparing them to recent performance, budgets and plans and external economic forecasts. With the assistance of our valuation specialists, we assessed the appropriateness of the discount rate used in the impairment model by assessing the cost of capital for the Company and comparable organisations. In addition, we performed a sensitivity analysis on the cash flows for both CGUs. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the related assets to be impaired, we considered the likelihood of such change in those key assumptions arising.
Contingent consideration assets relating to business disposals	
The financial statements include contingent consideration assets of GBP5.3 million relating to the disposals of the Irish pension and advisory businesses, IFG UK Financial Services and Siddalls France which were sold during the year (see note 22). We focused on this area because of the judgement applied and assumptions used in the determination of the amount booked, primarily in relation to the likelihood of the purchasers attaining specified revenue targets and the discount rate applied.	Our audit procedures included consideration of the nature of the contingent consideration recorded and the assessment of the potential revenue outcomes. This included obtaining an understanding of the agreements and an evaluation of the appropriateness of the directors' key assumptions, range of outcomes and the discount rate applied in relation to the amounts recognised. We also assessed the relevant financial framework disclosures. We challenged management's assumptions used in determining the amounts recorded, which included comparing actual revenues in the periods since the disposals with those assumed. We also assessed the appropriateness of the discount rate used in the calculations.
Valuation of provisions	
The financial statements include a number of different provisions, both historic and those relating to the disposals and consequent restructuring that took place in 2014 (see note 26). The provisions cover certain legal claims including claims arising from the disposal of the International division and claims made by customers. We focused on this area, including releases during the year, because these provisions are by their nature uncertain and judgemental.	Our audit procedures included consideration of the nature of the provisions and the range of potential outcomes. In relation to the provisions for costs in respect of the disposals that took place in 2014 and the International division (disposed in 2012), we reviewed correspondence with both the acquirer and legal counsel in assessing the appropriateness of the amount provided. For provisions for claims from clients, we challenged management's estimations by looking at claims history and the group's record of defending these claims, legal correspondence and correspondence with the clients.
Deferred income taxes	
Deferred tax assets are recognised for any unused tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. We focused on this financial statement area due to the judgement required in the estimation of future taxable profits.	We assessed the appropriateness of the amount of deferred tax assets recognised by challenging the assumptions used by management in the estimation of future taxable profits in both the UK and Ireland using recent year's results and approved budgets.

Independent News & Media plc

Annual financial statements – Year ended 31 December 2014

Extract from KPMG's audit report

Investment in APN News & Media Limited (APN) (2014: €68.7m; 2013: €86.9m):

Refer to the Report from the Audit Committee in the Corporate Governance Report and note 16 to the financial statements.

The risk

- APN is a significant component of the Group. At 31 December 2014 the Group has an 18.61 per cent shareholding in APN and the carrying amount of its investment is €68.7m (2013: €86.9m). Given the significance of the investment to the Group, its carrying amount is considered a significant audit risk.

Our response

- Our audit procedures, among others, included liaising with the statutory auditor to APN (PwC Australia). Detailed audit instructions were sent to PwC Australia and PwC Australia issued a separate written report to us on their audit of APN. Their audit included specific procedures focusing particularly on the impairment assessment model that supports the carrying amount of the Group's investment in APN (e.g. reasonableness of key assumptions, mathematical accuracy). We also held a number of conference calls with PwC Australia before, during and after their audit of APN. We also read the APN Annual Report and the consolidation pack submitted to the Group by APN. Our audit procedures were designed to ensure compliance with ISA 600 Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors). We considered how the carrying amount of the investment in the Group's financial statements compares to the Group's share of the APN net assets at the balance sheet date according to APN's audited financial statements and its related market value on the Australian Stock Exchange at the balance sheet date. We also assessed the adequacy of the Group's disclosures about the recoverability of this investment and the degree of estimation involved in determining the recoverable amount.
  We are satisfied that the work performed adequately addresses the recoverability of the investment.

FBD Holdings plc

Annual financial statements - Year ended 31 December 2014

Extract from Deloitte's audit report

Risk of material misstatement	How the scope of our audit responded to the risk
Claims outstanding & reinsurance claims outstanding *This risk related to the estimation of the liability for claims outstanding under insurance contracts written. The Group has significant claims outstanding totalling €639m, with a related reinsurance asset of €41m. The valuation of claims outstanding is the key judgmental area in our audit given the level of subjectivity inherent in estimating the impact of claims events that have occurred but for which the ultimate outcome remains uncertain.*	*We examined the process used by management to estimate the liabilities for claims outstanding and the related reinsurance asset. Our procedures included understanding and testing the operating effectiveness of controls in the reserving process, including controls over the completeness and accuracy of the claim estimates recorded. We performed substantive tests on the amounts recorded for a sample of claims notified.* *We considered the appropriateness of actuarial techniques used by management in estimating the liability and related asset. We evaluated the completeness and accuracy of data, the key assumptions used and the results of liability adequacy tests.*
Revenue recognition *This risk related to the recognition of premium revenue and the deferral of unearned premium. The Group earned net premium income of €303m.*	*Our procedures included an assessment of the design of controls over premium recording and collection, and testing their operating effectiveness. We carried out tests of details on a statistical sample of policies and also used analytical procedures to assess the completeness of premium income. In addition we tested the calculation of unearned premium and considered the adequacy of the provision for unearned premium.*
Joint Venture *This risk related to the carrying value of the investment in joint venture totalling €47m which is accounted for under the equity method. The carrying value of the joint venture is underpinned by the valuation of the hotel and leisure assets which is subjective.*	*We evaluated the evidence supporting management's conclusions on the value of the joint venture asset. We reviewed the component auditor's assessment of judgements made in the valuation of hotel and leisure assets.*
IT Systems and Controls *This risk related to the dependency of the financial reporting process on the IT systems that support large volumes of transactions and data, and the related IT controls designed to address incomplete or inaccurate financial information.*	*We assessed the general IT control environment, including the design and execution of change controls and system access, for systems supporting the processing of financial transactions. We also tested the IT operation controls over specific applications.*