

Irish Auditing & Accounting Supervisory Authority
Annual Report 2009



CHAIRPERSON'S STATEMENT

Introduction

It is with pleasure that I submit the Authority's fourth Annual Report to the Minister for Trade & Commerce, Mr. Billy Kelleher, T.D., in accordance with section 22(1) of the Companies (Auditing and Accounting) Act 2003.

Context for the Authority's work during 2009

The events and financial revelations of the last two years have had a profound effect not only on the economy but on Irish society as a whole. The scale of the losses sustained by our banks and building societies as a result of imprudent lending practices has resulted in the Exchequer having to take on €80bn of so called 'toxic' loans through the National Asset Management Agency as well as having to provide up to an estimated €32.8bn to certain of our financial institutions by way of recapitalisation, costs that may ultimately be borne by present and future taxpayers.

These events have resulted in a severe loss of confidence in our financial institutions, in those charged with their governance and in the system of financial regulation that prevailed over recent years. More widely, these events have resulted in publicly expressed concerns as to, amongst other things, the business models and governance regimes operated by the financial institutions concerned, the reliability of financial institutions' statutory financial reporting and whether the audit profession has properly discharged its legal and professional responsibilities. In addition, by virtue of the fact that a number of individuals associated with these events are members of the accountancy profession, the profession's capacity to regulate itself has, rightly, come under increased scrutiny. The foregoing has occurred at a time of continuing severe economic adjustment, characterised by a marked deterioration in the public finances, the collapse of the property and construction industries, reduced consumer demand, increased unemployment, reduced access to credit and national, as well as international, economic uncertainty. These



Karen Erwin - Chairperson

factors have added significantly to the challenges facing those charged with preparing and auditing financial statements and those promulgating associated standards.

It is against this backdrop that, during 2009, the Authority discharged its primary statutory responsibilities of:

- supervising the Prescribed Accountancy Bodies' regulation and monitoring of their members and member firms; and
- monitoring certain listed entities' statutory financial reporting.

Authority activities during 2009

Users' confidence in corporate financial reporting is essential to well-functioning financial markets. Where financial institutions are concerned, the credibility of their financial reporting is all the more vital given their importance to the economy and the range and nature of the users of those reports.

Trustworthy financial reporting that can command users' confidence depends foremost on the integrity of executive and non-executive directors and those who prepare financial reports on their behalf and on those parties' respective commitment to apply faithfully the relevant reporting framework. It also depends on appropriate levels of rigour and professional scepticism being applied by external auditors in designing and implementing audit procedures to identify material misstatement and error.

It is equally important, from the Authority's perspective, that the public can have confidence in the accountancy and audit profession. In the context of the model of supervised self regulation that currently applies to the profession, core to supporting public confidence is:

- the level of rigour and professional scepticism applied by the professional bodies in their monitoring of the quality of their member firms' audit work, particularly in the context of the audits of listed entities, and the appropriateness of those bodies' responses to identified deficiencies;
- the professional bodies' readiness and willingness to investigate possible poor performance or misconduct on the part of their members and member firms and, where investigation is judged necessary, to do so in a timely manner. Where professional bodies conclude that the investigation of particular matters are unnecessary or unwarranted, they must, in the interests of supporting public confidence in the system of supervised self regulation, be prepared to account not only to the Authority but also to the public for their decisions. In the context of the foregoing, a current example of an issue giving rise to public disquiet is the large increase in the impairments reported by financial institutions less than one year after much smaller impairments were declared by their directors and validated by audit; and
- the imposition by the professional bodies of sanctions in response to any proven instances of misconduct that are both punitive and dissuasive in nature. The professional bodies' capacity and willingness to impose such sanctions is a fundamental prerequisite to public confidence in the profession and, for its part, the Authority will have no difficulty in granting its approval for increased sanction provisions.

The final link in the chain, and the Authority's main area of influence, is the supervision and enforcement of compliance with accounting standards and the supervision of the professional bodies' monitoring and disciplinary processes respectively, both of which are discussed in further detail below.

Supervision of certain listed entities' financial reporting

As detailed in Chapter 4 of this Report, to the extent practicable having regard to its statutory remit and consistent with its risk based approach to supervision, during the course of 2009 the Authority devoted substantial resources to examining the financial reporting issues arising from certain events at Anglo Irish Bank Corporation Limited and transactions between Anglo Irish Bank Corporation Limited and Irish Life & Permanent plc. In addition to enquiring into matters coming within its remit, the Authority has also shared certain information with the Financial Regulator, Director of Corporate Enforcement, An Garda Síochána and the Institute of Chartered Accountants in Ireland's Special Investigator with a view to assisting those parties with their respective enquiries, some of which extend far beyond the Authority's remit.

Notwithstanding that these activities required the deployment of substantial professional staff resources, in quantitative terms the Authority maintained a level of review activity consistent with the previous year. As in previous years, the Authority secured required improvements in issuers' financial reporting through

engagement and persuasion rather than having to resort to more formal and costly enforcement measures. During 2009 this approach again proved effective, with issues identified during reviews being dealt with through a combination of the publication of amended financial reports and directors' undertakings to effect necessary improvements in future reports. Whilst the approach set out above remains the Authority's preferred means of securing necessary improvements, as previously publicly indicated, should circumstances arise which, in the Board's assessment, require a more formal enforcement approach, the Board will not hesitate to sanction such a course of action.

As a consequence of the approach set out above, much of the Authority's enforcement work in the area of financial reporting is low key in nature and, as such, may not be readily apparent to the users of financial reports. However, a closer inspection of issuers' financial reports demonstrates the impact that the Authority's review activity has had since its commencement in 2007. The quality of many well known listed companies' financial reports has, we believe, been considerably enhanced as a result of the Authority's scrutiny and subsequent engagement with those issuers' Boards. Examples from 2009 in that regard include one equity issuer whose annual financial report in respect of the year ended 31 December, 2009 included 13 improvements and enhancements as a direct result of the Authority's review of its previous annual financial report and the provision by another equity issuer of corrected data in respect of directors' emoluments as a consequence of having been the subject of a review by the Authority.

Supervision of the Prescribed Accountancy Bodies

Similarly, in the case of its mandate to supervise the Prescribed Accountancy Bodies, the Authority seeks to optimise its effectiveness by avoiding the necessity for formal enforcement actions, which are costly and draining on limited professional staff resources.

Rather, it is the Authority's preference to seek to resolve identified weaknesses and deficiencies in a timely manner through dialogue with the professional bodies. Nevertheless, on occasion the Authority determines it necessary or otherwise appropriate to take formal action with a view to addressing identified concerns. Examples of such measures taken during 2009 included the initiation of a further statutory Enquiry under section 23 of the Act, the attachment of Conditions to the recognitions of two accountancy bodies and the vetting of proposals by one professional body to issue audit authorisations pursuant to a previously attached Condition.

Enquiries under section 23 of the Act are costly and time consuming both for the Authority and for the Prescribed Accountancy Body concerned. Based on the Authority's experience to date the need for them can be reduced in the future through a careful and rigorous approach to the investigative and disciplinary process on the part of Prescribed Accountancy Bodies. There will continue to be the possibility that the Board will have to initiate such Enquiries but we hope that the volume of section 23 Enquiries will diminish over the coming years. However, in the event that the requisite improvements are not forthcoming the Board will continue to initiate such Enquiries.

As indicated above, the Board considered it appropriate to exercise its right to attach Conditions to the recognitions of two Recognised Accountancy Bodies during the year. Conditions are an important tool in enabling the Authority to discharge the responsibilities that have been conferred upon it by the Oireachtas and to mitigate identified risks. For that reason, the attachment of Conditions is an important tool in the Authority's regulatory armoury, as is the monitoring of ongoing compliance with those Conditions.

Parliamentary accountability

In March, 2009 Authority representatives had the opportunity to meet with the Joint Oireachtas Committee on Economic Regulatory Affairs. From the Board's perspective, this was a valuable opportunity for the Authority and the Committee to share their perspectives on a range of matters of relevance to the Authority's remit and activities.

Factors limiting the Authority's influence and capacity to take certain actions

As will be apparent from the foregoing, 2009 was a very challenging year for both the Board and staff of the Authority. Added to this challenge was the existence of a gap, across both principal pillars of the Authority's mandate, between expectations as to what the Authority should deliver and what the Authority is empowered, and equipped, to deliver. Whilst certain of the factors contributing to the gap in expectations came to prominence only as a result of the extraordinary events of recent times, their impact was, nevertheless, considerable. In addition to being discussed in further detail below, certain key limiting factors are also summarised in the Table accompanying this Statement for readers' ease of reference.

Limiting factors – statutory financial reporting

In the context of the Authority's mandate to monitor certain listed entities' statutory financial reporting the following factors, in particular, contributed to the abovementioned limitation:

- as a result of the timing and manner of implementation of the Transparency Regulations, issuers' financial reports in respect of financial years commencing before 20 January, 2007 do not come within the Authority's remit. As a consequence, whilst the treatment of loans to directors at Anglo Irish Bank Corporation Limited has given rise to concerns in respect of the bank's financial reports

dating back to 2001, the first financial report issued by the bank that came within the Authority's remit, and as a result in respect of which the Authority is empowered to seek information and explanations, was that in respect of the six month period ended 31 March, 2008;

- by virtue of not coming within scope of the Transparency Regulations, a number of Irish financial services entities' financial statements do not come within the Authority's supervisory remit. Examples in this regard include EBS, Irish Nationwide Building Society and Quinn Insurance Limited. Accordingly, the Authority has no statutory entitlement to review those entities' financial statements or to require their directors to provide information and explanations in respect of same; and
- preliminary announcements do not come within the Authority's supervisory remit. This is of significance in that, for example, in the case of Anglo Irish Bank Corporation Limited, a substantial contributory factor to concerns over the quality of listed entities' financial reporting was based on the condensed nature of that bank's preliminary announcement of 3 December, 2008, e.g. the non-disclosure in that preliminary announcement of details of certain transactions with Irish Life & Permanent plc.

Limiting factors – the accountancy profession

In the context of the Authority's mandate *vis-à-vis* the accountancy profession, the following factors in particular limited the Authority's ability to influence and to take certain actions:

- the Authority has no role in performing quality assurance inspections of audit firms. Accordingly, the only avenue open to the Authority in seeking to assess and monitor auditors' performance is through the *ex-post* review of the Prescribed Accountancy Bodies' monitoring reports.

Whilst such reviews are of some limited value in enabling the Authority to assess and comment upon the operation of the accountancy bodies' monitoring processes and procedures, the current arrangements prevent the Authority from gaining any degree of insight into the audit firms' operations, particularly in the context of their approach to, and emphasis on, audit quality. As discussed in further detail in Chapter 5 of this Report, the Board has, for this reason, previously advised the Department of Enterprise, Trade & Employment that the European Commission Recommendation on Quality Assurance should be implemented; and

- the current legislative provisions governing the performance of statutory Investigations. Whilst section 24 of the Companies (Auditing and Accounting) Act 2003 provides that the Authority may conduct Investigations into members/member firms of the Prescribed Accountancy Bodies on its own initiative, the Board is of the view that use of the provision as currently enacted could give rise to a number of undesirable outcomes. Specifically:
 - given that the Act provides for a model of supervised self regulation, under which primary responsibility for the investigation and disciplining of members and member firms resides with the professional bodies, use of the provision could, in the Board's view, give rise to the unintended consequence of seriously undermining public confidence in the Prescribed Accountancy Bodies' capacity to investigate and discipline their own members. Such an outcome would, in the Board's assessment, run counter to the intent of the Act; and
 - the practical implications of the manner in which such Investigations require to be funded give rise, in the Board's assessment,

to fundamental questions of fairness, i.e. by requiring all Prescribed Accountancy Bodies, and the Exchequer, to fund potentially highly costly investigations into the members of other bodies.

For the foregoing reasons, the Board is of the view that section 24 should be reviewed and, in particular, amended such that, in circumstances where the Authority were to initiate such an Investigation, only the PAB(s) whose member(s) or member firm(s) was/were under investigation would fund the Authority's Investigations. Such an amendment would, in the Authority's view:

- remove the potential for the Exchequer to be exposed to substantial costs (including the substantial costs associated with any litigation arising); and
- ensure that those PABs whose members or member firms are not the subject of investigation are, similarly, not exposed to potentially substantial costs.

In the context of the foregoing, and having regard to the issues of fairness that arise from the current funding arrangements, it is the Authority's view that, until such time as the legislation is reviewed and amended, investigations, where considered necessary or otherwise appropriate (barring extenuating circumstances such as, for example, where a PAB lacks the financial wherewithal or logistical capacity to undertake a large scale investigation), should be undertaken by the PAB(s) concerned, under the Authority's statutory supervision.

The Authority's thinking in this regard has been further informed by the following considerations:

- where an investigation is undertaken by a PAB, the full costs of the investigation, and

any associated litigation risk, are borne in full by the PAB concerned;

- the PABs' investigative processes have the statutory underpinning provided for by section 192A of the Companies Act 1990, which confers the PABs' investigative Committees etc. with substantial powers of investigation as well as the power to certify non co-operation to the High Court;
- in the event of an adverse finding under section 24 of the Act, the sanctions available to the Authority are the same as those available to the relevant PAB under its approved constitution; and
- in contrast to the Authority's Section 24 Regulations, the PABs' investigative and disciplinary processes have been in place for many years and have been tried and tested. The likelihood of a successful challenge to the PABs' disciplinary processes, with the associated delays that would result, are, therefore, considered to be significantly lower in circumstances where investigations are undertaken by the PABs. This is, in the Board's assessment, a major consideration where matters of genuine public concern are involved.

Limiting factors – staff resources

A further overarching limitation is the Authority's current staff resource levels, which, at 12, present significant and ongoing challenges and risks in the context of the Authority's mandate to supervise:

- 9 Prescribed Accountancy Bodies, whose aggregate membership in the State exceeds 28,000; and
- the annual and half-yearly financial reports of almost 170 listed entities.

Indeed, in the context of the Authority's governance obligations to identify, mitigate and monitor its risks on an ongoing basis, it is this risk that consistently presents the greatest concern to the Board.

The year ahead

Whilst 2010 is likely to be dominated by implementation of the EU Statutory Audit Directive, ongoing co-operation with other regulatory authorities with a view to concluding upon matters relating to Anglo Irish Bank Corporation Limited and monitoring the progression of the Institute of Chartered Accountants in Ireland's investigations into associated matters, it is, in the Board's view, important that consideration be given to addressing some of the factors contributing to the gap in expectations referred to earlier. In that context, the Board considers it particularly important that:

- the current arrangements governing the quality assurance of the audits of listed companies be reviewed. In its 2007 and 2008 Annual Reports the Board has previously expressed its view that the EU Quality Assurance Recommendation, which recommends that responsibility for quality assurance of audits of listed entities should reside with Member States' statutory oversight authorities, should be implemented. Given how out of step Ireland now is by comparison with internationally accepted best practice, the Board is more convinced than ever that this important step needs to be taken in the short term. In that context the Board was pleased to note that, in response to the consultation exercise undertaken by the Department of Enterprise, Trade & Employment during 2009, its view in this regard is shared by, amongst others, the Financial Regulator, the Office of the Director of Corporate Enforcement and the Revenue Commissioners;
- section 24 of the Companies (Auditing and Accounting) Act 2003 Act be reviewed in light of the considerations set out above; and

- consideration be given as to whether the requirements currently applying to preliminary announcements merit review in the interests of supporting and enhancing public confidence in statutory financial reporting.

Implementation of the Quality Assurance Recommendation together with an amendment to the manner in which Investigations under section 24 of the Act are funded would, in the Board's assessment, considerably enhance the Authority's ability to meet stakeholders' expectations as to what an independent statutory oversight body should be capable of delivering on.

Concluding remarks

As will be evident from the foregoing, as well as from the content of this Report, despite its size the impact that the Authority has had since its establishment four years ago has been considerable. The Authority's successes and achievements over that period have been attributable to a strong and cohesive Board, to the Chief Executive's leadership and to a team of highly committed and dedicated staff. On behalf of the Board I would like to publicly thank the staff for their ongoing contribution to the Authority's successes and to acknowledge the significant contribution made to the Board by Mr. Jim Kelly, Mr. Pat Houlihan and Mr. David Martin, whose terms of office expired in early 2009 and Mr. Donal O'Connor, who tendered his resignation from the Board in January, 2009.

On the Board's behalf, I would like to thank the Tánaiste and former Minister for Enterprise, Trade & Employment and the Minister for Trade & Commerce respectively and their officials for their ongoing support for the Authority over the course of the year. The Ministers' and Department's efforts in seeking to secure the necessary resources to enable the Authority to discharge the substantial additional

responsibilities to be conferred upon it under the EU Statutory Audit Directive are particularly appreciated.

Finally, on a personal note I would like to thank the members of the Board and its Committees for their ongoing commitment and dedication to the Authority and to the attainment of its goals and objectives.

Karen Erwin
Chairperson
30 April, 2010

Key limiting factors – Summary of key matters within and outside of the Authority’s remit

	Within the Authority’s remit	Outside the Authority’s remit	Comment/Observations
Listed entities	<ul style="list-style-type: none"> Equity issuers whose securities have been admitted to trading on the Main Market of the Irish Stock Exchange Issuers of debt securities admitted to trading on the Main Market of the Irish Stock Exchange and which issue retail debt (i.e. denominations of less than €50,000) Closed ended Funds that have been admitted to trading on the Main Market of the Irish Stock Exchange 	<ul style="list-style-type: none"> Equity issuers whose securities have been admitted to trading on the IEX Issuers of debt securities admitted to trading on the Main Market of the Irish Stock Exchange and which issue wholesale debt (i.e. denominations of €50,000 or more) Open ended Funds Companies whose securities have not been admitted to trading on the Main Market of the Irish Stock Exchange (e.g. private companies and unlisted plcs) 	By virtue of not having qualifying listings, certain high profile entities, including, for example EBS, Irish Nationwide Building Society and Quinn Insurance Limited, do not come within the Authority’s financial reporting supervisory remit.
Listed entities’ financial reporting	<ul style="list-style-type: none"> Annual financial reports in respect of financial years commencing on or after 20 January, 2007 Half-yearly financial reports in respect of financial years commencing on or after 20 January, 2007 	<ul style="list-style-type: none"> Annual financial reports in respect of financial years commencing prior to 20 January, 2007 Half-yearly financial reports in respect of financial years commencing prior to 20 January, 2007 Interim Management Statements (i.e. quarterly reports) Preliminary Announcements 	In the Authority’s view, the appropriateness of the current regulatory framework governing the publication of Preliminary Announcements merits review.
Role in directly reviewing the quality of the work of auditors of listed entities	No	Yes	In the Authority’s view, the European Commission Recommendation on external quality assurance of auditors of public interest entities should be implemented. The effect of implementation would be to confer the Authority with a direct role in supervising the quality of listed entities’ auditors’ work.
Scope to conduct investigations directly into members and/or member firms of the Prescribed Accountancy Bodies	Yes. However, any such investigation must be funded as follows: <ul style="list-style-type: none"> 40% by the Exchequer; and 60% jointly by the 9 Prescribed Accountancy Bodies. 		<p>The Authority is of the view that section 24 of the Companies (Auditing and Accounting) Act 2003 should be reviewed and, in particular, amended such that any such investigations would be fully funded by the Prescribed Accountancy Body, or Bodies, whose member(s), or member firm(s), is/are being investigated.</p> <p>This, in the Authority’s view, would be a considerably more equitable funding model which would, amongst other things, eliminate the Exchequer’s exposure to potentially highly costly investigations and the associated litigation risk.</p>

CHIEF EXECUTIVE'S REVIEW

Introduction

As alluded to in the Chairperson's Statement, 2009 was a year during which the Authority's supervisory activities were dominated by two principal factors, namely, the ongoing impact of the economic downturn and revelations regarding certain events at Anglo Irish Bank Corporation Limited and certain transactions between Anglo Irish Bank Corporation Limited and Irish Life & Permanent plc. The year under review also saw the Authority conferred with new statutory responsibilities in the area of registration of third country auditors, a development which had a significant impact on the Authority's activities. In that context, set out below is a summary of the Authority's principal activities during the year.

Supervision of certain listed entities' statutory financial reporting

Matters relating to Anglo Irish Bank Corporation Limited and Irish Life & Permanent plc

Chapter 4 provides a detailed analysis of the work undertaken in examining the financial reporting aspects of the abovementioned events and transactions. In summary, there were three such aspects, i.e. certain inter-institutional transactions, the temporary refinancing of loans and the issue of certain loans secured on shares in Anglo Irish Bank Corporation Limited. In addition to directing a substantial volume of enquiries and information requests to the Boards concerned, the Authority sought to work in close co-operation on matters of mutual interest with the Financial Regulator and Office of the Director of Corporate Enforcement.

Level of review activity

In addition to committing substantial professional resources to examining the financial reporting aspects of the abovementioned events and transactions, the Authority succeeded in completing a total of 48 reviews of issuers' periodic financial reports. To put this level of review activity in context:



Ian Drennan - Chief Executive

- the corresponding number of reviews completed during 2008 was 51; and
- whereas reviews of annual reports, which are considerably more complex than half yearly reports, accounted for approximately 16% of reviews during 2008, reviews of annual reports during 2009 accounted for in excess of 50% of all review activity.

It is clear, therefore, that the Authority managed the substantial additional workload precipitated by the abovementioned revelations in both an efficient and effective manner.

As can be seen from Chapter 4 of this Report, the Authority's review activity during the year again secured coverage of all three categories of issuer, i.e. equity, debt and closed ended funds, with proportionately greater emphasis continuing to be placed on equity issuers in accordance with the Authority's risk based selection methodologies.

Financial institutions and other issuers primarily engaging in financial services

In addition to the institution specific matters referred to above, by way of a broader response to the heightened risks attaching to the financial reporting of financial institutions and other issuers primarily engaging in financial services, the Authority also engaged with domestic financial institutions and other relevant issuers on a range of financial reporting issues. Matters raised in this context included impairments, valuations and related party transactions.

Outcome of review activities

As a result of the Authority's review activity, a total of 229 matters were raised with issuers' Boards. A total of 33 reviews resulted in issuers' directors providing undertakings to improve the quality of future periodic financial reports. In addition, 6 reviews resulted in issuers' directors publishing amended half yearly financial reports while a further 2 reviews resulted in the publication of amended annual financial reports.

Case studies

For the first time, this year's Report includes a number of case studies, the purpose of which is to provide readers with a flavour for the type and subject matter of issues encountered during the examination of issuers' financial reports and as to how such matters were addressed in users' interests. These case studies can also be found in Chapter 4.

Registration of third country auditors

During the year under review the Authority was designated as the competent authority for the purposes of the European Communities (Transitional Period Measures in Respect of Third Country Auditors) Regulations 2009. Under those Regulations, which took effect from 26 June, 2009, the Authority is responsible for registering auditors and audit entities from certain third (i.e. non EU) countries. The effect of registration is that, for a transitional period, registered third country auditors and audit entities

may continue to issue legally valid audit opinions in the European Union.

In the period from 26 June to 31 December, 2009, the Authority received a total of 21 registration applications. Given the necessity to review applications and all supporting material, obtain clarification and additional information as considered necessary and to work closely and on an ongoing basis with the Authority's EU counterparts with a view to ensuring a consistent EU wide approach to registration practice, these additional responsibilities had a significant impact on the Authority's workload.

Supervision of the Prescribed Accountancy Bodies

Supervisory reviews and approvals

Whilst the aforementioned additional responsibilities in respect of third country auditors had a significant impact on the Authority's operations, the Authority nevertheless:

- completed supervisory reviews of 2 Prescribed Accountancy Bodies during the year. In addition, a further 2 reviews were in progress at year end; and
- granted its approval in respect of 12 proposed amendments to the Prescribed Accountancy Bodies' constitutions. Similarly, at year end the approval process was ongoing in respect of a further 37 matters.

Complaints and referrals to the section 23 process

A total of 21 complaints relating to the Prescribed Accountancy Bodies or members of the profession were received during the year, with a total of 18 complaints being closed during the same period.

In addition, having examined certain matters on their own initiative (i.e. as opposed to on foot of receipt of a complaint), Authority staff tabled one

matter to the Board with a recommendation that it be referred to the section 23 process, i.e. with a view to establishing whether a Prescribed Accountancy Body has complied with its approved investigation and disciplinary procedures. The Board accepted the Executive's recommendation in this regard with the result that, as at 31 December, 2009, a total of 3 section 23 Enquiries were in progress.

Supervision of the Institute of Chartered Accountants in Ireland's response to events at Anglo Irish Bank Corporation Limited

Further to the Board's decision in December, 2008 to appoint an observer to monitor the Institute's Complaints Committee's response to the role that any Institute members/member firms may have played in events at the bank, the Authority's observer attended 9 meetings of the Complaints Committee during the year. In addition, Authority staff met on a number of occasions with the Special Investigator appointed by the Committee to investigate the matters in question. At year end, the Special Investigator's enquiries were ongoing. This topic, including details of the Special Investigator's mandate and powers, is discussed in further detail in Chapter 3 of this Report.

Advisory & advocacy

Consistent with its mandates to promote adherence to high professional standards in the auditing and accountancy profession and to act as a specialist source of advice to the Minister, the Authority continued its advisory and advocacy activities throughout the year.

Advisory

During the year the Authority continued to provide advice and assistance to the Department of Enterprise, Trade & Employment in the context of its responsibility to transpose the EU Statutory Audit Directive. On a related matter, the Authority also provided a response to the Department's consultation on the matter of the EU Quality Assurance Recommendation, in which the Authority

expressed the view that the Recommendation should be implemented. Other matters in respect of which the Authority provided assistance and advice included implementation of the European Commission Decision on transitional arrangements for auditors and audit entities from certain third countries (as referred to above) and proposals to permit certain parent undertakings to use US accounting standards for a transitional period, the latter of which were subsequently legislated for in the Companies (Miscellaneous Provisions) Act 2009.

Advocacy

In addition to routine advocacy activities such as delivering presentations to interested parties and contributing articles to professional journals, the Authority took the initiative of publishing its observations on certain financial reporting matters in early 2009. The document, which was developed for issuers' Boards' and Audit Committees' benefit, was prepared against a backdrop of significant uncertainty against which issuers were faced with preparing financial reports.

In response to the high level of positive feedback received from stakeholders, the Authority decided to prepare a similar document for use in the context of issuers' preparation of their 2009 financial reports and, at year end, the development of this second document was at an advanced stage. The issues dealt with in those documents are discussed in further detail in Chapter 5 of this Report.

Concluding remarks

As a result of a combination of the impact of the high profile revelations regarding Anglo Irish Bank Corporation Limited and Irish Life & Permanent plc, the financial reporting issues associated with the banking crisis more generally, the conferral of additional statutory responsibilities in the area of third country auditors and the increased risks posed to preparers and auditors of financial reports by the effects of the domestic and international economic

downturns, 2009 was a year in which the Authority and its staff faced unprecedented challenges and pressures.

Against that backdrop, and as is evident from the analysis set out in this Report, those challenges were met head on by a professional and dedicated staff who are committed to the ongoing attainment of the Authority's goals and objectives. I would like to take this opportunity to publicly acknowledge their continued commitment, dedication and professionalism and to thank the Authority's Chairperson and my Board colleagues for their ongoing support, guidance and counsel.

Ian Drennan
Chief Executive
30 April, 2010