

Irish Auditing & Accounting Supervisory Authority
Annual Report 2009



2009 AT A GLANCE

Statutory remit

Supervision of the Prescribed Accountancy Bodies ('PABs')

- The Authority's supervisory constituency comprises of nine PABs. At 31 December, 2009:
 - the PABs' aggregate membership resident in the State stood at 28,547 (an increase of 4% on the corresponding statistic at 31 December, 2008); and
 - the PABs' aggregate student membership resident in the State stood at 18,644 (a decrease of 1% on the corresponding statistic at 31 December, 2008).

Supervision of certain listed entities' statutory financial reporting

- At 31 December, 2009, the Authority's financial reporting review constituency comprised of approximately 170 listed entities ('issuers'). Whilst the Authority's remit in this regard includes the statutory financial reporting of certain banks, a number of other financial institutions (e.g. Building Societies) do not come within the Authority's remit.
- During the year under review issuers published a total of 304 periodic financial reports, an increase of 27% on the corresponding statistic for the year ended 31 December, 2008.

Registration of third country auditors

- During the course of the year the Authority was designated as the competent authority for the purpose of the European Communities (Transitional Period Measures in Respect of Third Country Auditors) Regulations 2009. This designation resulted in the conferral of additional statutory responsibilities upon the Authority in the area of registration of auditors from certain third (i.e. non EU) countries.

Supervision of the PABs and the registration of third country auditors

Statutory Enquiries

- During the year under review the Authority:
 - initiated 1 new Preliminary Enquiry;
 - completed 1 Preliminary Enquiry and initiated 1 new Full Enquiry on foot of a finding of a *prima facie* case by the associated Preliminary Enquiry Committee;
 - completed 1 Full Enquiry; and
 - further progressed 1 Full Enquiry that had been ongoing at the beginning of the year.

Attachment of Conditions

- The Authority attached Conditions to the recognitions of 2 Recognised Accountancy Bodies ('RABs') during the year under review.
- Pursuant to a Condition previously attached to the recognition of one RAB - whereby the RAB concerned is required to submit all proposals to issue new audit authorisations to the Authority for examination in advance of granting such authorisations - the Authority examined 11 such proposals during the year.

Approvals

- During the course of 2009 the Authority granted its approval in respect of 12 proposed amendments to PABs' constitutional documents. The Authority also declined to grant its approval in a further 1 instance. At year end, the approval process was ongoing in respect of an additional 37 matters (i.e. proposed amendments to PABs' constitutional documents).

Supervisory reviews

- The Authority completed supervisory reviews of 2 PABs during the year. At year end a further 2 reviews were in progress.

Registration of third country auditors

- During the period between the commencement of the Regulations (26 June, 2009) and year end, a total of 21 applications for third country registration had been received.

Financial reporting supervision

Reviews

- In the year to 31 December, 2009, the Authority completed reviews of a total of 48 periodic financial reports.

Matters raised with issuers’ directors

- Arising from the aforementioned 48 reviews, a total of 229 matters were raised with issuers’ directors. The average number of financial reporting issues raised per full scope review was 8.

Corrective/remediating actions

- As a result of the Authority’s review activity:
 - 33 reviews resulted in issuers’ directors providing undertakings in respect of future periodic financial reports, i.e. to effect certain improvements;
 - 6 reviews resulted in issuers’ directors publishing amended half yearly financial reports; and
 - 2 reviews resulted in issuers’ directors publishing amended annual financial reports.

Financial reporting of financial institutions and other issuers primarily engaging in financial services

- In accordance with the Authority’s risk-based selection processes, the financial reporting of financial institutions and other issuers primarily engaging in financial services became a significant focus during the year. Matters in respect of which the Authority engaged with financial institutions’ directors and the Boards of other issuers primarily engaging in financial services included:

- impairments;
- valuations;
- related party disclosures; and
- miscellaneous other financial reporting matters, including, for example, accounting policies, concentration risk, assets classified as held for sale, redemption of subordinated liabilities and repossessed assets.

Anglo Irish Bank Corporation Limited (‘Anglo’) and Irish Life & Permanent plc (‘IL&P’)

- In the context of certain information that came into the public domain in late 2008 and early 2009 regarding certain events at Anglo and certain transactions between Anglo and IL&P, the Authority:
 - engaged with Anglo’s directors on the financial reporting issues arising from:
 - certain inter-institutional transactions with IL&P;
 - temporary refinancing of loans; and
 - certain loans secured on Anglo shares;
 - engaged with IL&P’s directors on the financial reporting issues arising from certain inter-institutional transactions with Anglo;
 - secured certain undertakings from Anglo’s directors in respect of future periodic financial reports;
 - secured certain undertakings from IL&P’s directors in respect of future periodic financial reports;

- ❑ continued its ongoing supervision of the Institute of Chartered Accountants in Ireland's regulatory response to the role that any of its members/member firms may have played in the above events and/or transactions – the Authority's supervisory activities in this regard included attendance at 9 meetings of the Institute's Complaints Committee, which meets in private, as well as a number of meetings with the Special Investigator charged with investigating these matters; and
- ❑ shared certain information regarding the above matters with the Financial Regulator, the Director of Corporate Enforcement and An Garda Síochána as well as with the Institute of Chartered Accountants in Ireland's Special Investigator.

Advisory & advocacy

Advisory

- During 2009 the Authority provided its advice to the Ministers for Enterprise, Trade & Employment and Trade & Commerce respectively and to their officials on a range of matters including:
 - ❑ the transposition of the EU Statutory Audit Directive;
 - ❑ the implementation of the European Commission Decision on the transitional arrangements for certain third country auditors and audit entities;
 - ❑ the European Commission Recommendation on external quality assurance of auditors of public interest entities;
 - ❑ proposals to permit certain parent undertakings to use US accounting standards; and

- ❑ proposals by the US Public Company Accounting Oversight Board to conduct inspections of Irish audit firms.

Advocacy

- In the context of the backdrop of uncertainty against which issuers were faced with preparing their 2008 annual financial reports, and with a view to providing assistance to issuers' Boards and Audit Committees, the Authority published its observations of certain financial reporting matters in January 2009. At year end, work was at an advanced stage on a similar document in respect of issuers' 2009 financial reports.
- During the year the Authority responded to in excess of 180 enquiries from members of the public regarding various aspects of its role and functions and other matters of relevance to the Authority's remit.
- The Authority continued its policy of making staff members available to deliver lectures and information presentations to interested parties, with a number of lectures/presentations being delivered during the year as well as the contribution of a number of articles to the professional press.