



**Irish Auditing & Accounting Supervisory Authority**

# Financial Reporting Supervision role of IAASA - an update

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12 January, 2011

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# Disclaimer and confidentiality

## **Disclaimer**

The views expressed are ours and do not necessarily reflect the views of the Board, individual Board members or the staff of IAASA

## **Section 31**

*No person shall disclose, except in accordance with law, information that –*

- a) is obtained in performing the functions or exercising the powers of the Supervisory Authority, and*
- b) has not otherwise come to the notice of members of the public...*

Certain exemptions provided for in law

# Presentation overview

1. Re-cap on IAASA's financial reporting supervision functions
2. Some issues arising during 2010 reviews
3. Looking forward to 2011

# Principal Functions of IAASA's FRSU

- To examine whether the financial reports of issuers whose Home Member State is Ireland under the Transparency Regulations complies with the relevant reporting framework
- Liaising with other countries' financial reporting monitoring bodies
- Co-operating in the development of accounting standards and practice notes
- Assisting the Board to discharge its functions as an advisor to the Minister on accounting related matters

# Recap on IAASA's financial reporting supervisory/enforcement function

- IAASA is the independent designated competent authority for carrying out functions under Article 24(4)(h) of the Transparency Directive, i.e.

*“..to examine that information referred to in this Directive is drawn up in accordance with the relevant reporting framework and take appropriate measures in case of discovered infringements.”*

# Review constituency as at 31 December 2009

| Category     | Number of issuers in category | Half-yearly financial reports issued per annum | Annual financial reports issued per annum | Total no. of periodic financial reports per annum |
|--------------|-------------------------------|--|---|---|
| Equity       | 31                            | 31   | 30 <sup>▼</sup>                           | 61  |
| Funds        | 45                            | 45   | 39 <sup>▼</sup>                           | 84  |
| Debt         | 92                            | 67   | 92 <sup>▼</sup>                           | 159   |
| <b>Total</b> | <b>168</b>                    | <b>143</b>                                     | <b>161</b>                                | <b>304</b>  |

Certain debt issuers are exempt from the requirement to make public half-yearly financial reports for a period of 10 years

# Recap on methodology for selection of entity for review

Selection criteria include:

- Risk of material misstatement in the financial statements
- Potential impact on users of financial statements in the event of material misstatement
- Supplemented with random selection of financial statements for review

## Responses to matters arising from reviews completed during 2009/(2008)

| Issuer category | Number reviews completed | Undertakings regarding future reporting | Publication of amended financial report |
|-----------------|--------------------------|---|---|
| Equity          | 18 (15)                  | 13 (10)                                 | 0 (1)                                   |
| Fund            | 13 (17)                  | 10 (11)                                 | 3 (9)                                   |
| Debt            | 17 (19)                  | 10 (18)                                 | 5 (18)                                  |
| <b>Total</b>    | <b>48 (51)</b>           | <b>33 (39)</b>                          | <b>8 (28)</b>                           |

# Overview of 2010 activities and results (verbal)

# Looking forward to 2011 –

## Some observations based on 2010 enforcement activity

- Financial Instruments – recognition and measurement
- Financial Instruments – fair value disclosures
- Financial Instruments – risk disclosures
- Impairments
- Pensions accounting and discount rates
- Materiality

# Looking forward to 2011 (cont.) – Some observations based on 2010 enforcement activity

- Front end reporting
- Disclosure of Key management personnel
- IAS 1 – presentation of financial statements
- Operating segments
- Provisions (IAS 37 and FRS 12)
- Restatement and reclassifications
- Interim financial reporting
- New accounting pronouncements

# Looking forward to 2011 (cont.) – Fund and Debt issuers

- Financial Instruments: recognition and measurement
- Financial Instruments: fair value disclosures
- Risk disclosures & users of financial statements: boiler-plate!  
Changes in risks during period, risk strategies, mitigating risk, credit quality, counterparty risk, concentration risk, limited recourse issuers
- Directors'/management reports:  
*'Tell the story of the performance, position and CF of the period' .*  
*[S.13 CA1986, Regs 4-8 & the Transparency Rules (Sept'09)]...good+bad examples!*
- Directors' judgements & critical estimates
- Explanation of significant movements on SOFP, SOCI, SOCE, Stat of C/F
- Operating segments – general information & minimum entity-wide disclosures
- Half-yearly reports - lower quality of financial reporting observed
- Restatement & reclassifications of amounts

# Accounting enforcement in an EU context

- Transparency Directive requires every Member State to establish an accounting enforcer
  - “Each competent authority shall have all the powers necessary for the performance of its functions. It shall at least be empowered to:  
... examine that information referred to in this Directive is drawn up in accordance with the relevant reporting framework and take appropriate measures in case of discovered infringements”.
- Approximately 6,500 listed companies have been identified by EU enforcers as IFRS users and are under supervision of competent authorities

# **IAASA involvement in European accounting enforcement**

- European Enforcement Co-ordination Sessions (EECS)
- EECS enforcement decision database
- CESR publication of decisions from the database
- IAASA involvement in EECS

# Questions?

# Contacts & Further Information

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