



PUBLICATION OF 2008 ANNUAL REPORT

The Irish Auditing & Accounting Supervisory Authority (IAASA) has today published its third Annual Report, covering the year ended 31 December, 2008. Key aspects of the Report include:

- the appointment by the Board of a senior staff member to observe the Institute of Chartered Accountants in Ireland's regulatory response to the role that any of its members may have had in events leading to the resignation of Messrs. Sean FitzPatrick and David Drumm as Chairman and Chief Executive respectively of Anglo Irish Bank Corporation;
- continued improvement in the standard of listed entities' statutory financial reporting through:
 - the completion of 51 reviews of listed entities' financial reports;
 - correspondence with 93% of reviewed entities' directors;
 - the voluntary publication of revised financial reports in 28 instances; and
 - the provision, in 39 instances, of undertakings by listed entities' directors to effect improvements in future financial reports;
- the establishment of two statutory Enquiries following findings of *prima facie* cases of breaches of the Institute of Chartered Accountants in Ireland's approved investigation and disciplinary procedures; and
- the development during the year of authoritative guidance material:
 - providing feedback on IAASA's reviews of listed entities' financial reports; and
 - for the purpose of drawing directors' attention to specific financial reporting issues arising as a consequence of the international credit crisis and the domestic and international economic downturns.

Other matters of note in the Report include the following:

- in addition to its ongoing supervisory activities, during the year IAASA took a specific interest in relevant prescribed accountancy bodies' responses to:
 - the Supreme Court judgement in the civil insider dealing case involving DCC plc and others and the subsequent appointment by the High Court of an Inspector to DCC plc;
 - the public announcement by Greencore Group plc of a material misstatement of financial performance resulting from the alleged deliberate concealment of costs; and

- the US Securities & Exchange Commission's proceedings against SmartForce plc, Ernst & Young and two SmartForce executives;
- the provision during the year of advice to the Minister for Trade & Commerce on topics including:
 - auditors' liability;
 - the European Commission's Recommendation on External Quality Assurance of Auditors of Public Interest Entities; and
 - the revised EU Statutory Audit Directive;
- by the end of its first three year Work Programme cycle, IAASA had:
 - performed detailed supervisory reviews of prescribed accountancy bodies whose combined membership equates to 97% of the prescribed accountancy bodies' aggregate membership in Ireland;
 - granted its approval in respect of the constitutional documents of prescribed accountancy bodies whose combined membership equates to 84% of the prescribed accountancy bodies' aggregate membership in Ireland; and
 - issued a total of 68 recommendations to the prescribed accountancy bodies for the purpose of effecting improvements and enhancements to their regulation and monitoring of members and member firms.

Marking the publication of the Report, Chief Executive, Mr. Ian Drennan, said:

'2008 saw the onset of an international financial crisis, the effects of which have been further exacerbated by a rapid deterioration in domestic economic conditions. These factors have combined to significantly increase the risks associated with the preparation of statutory financial reports and, by extension, the risks associated with the audit of those reports. This has, in turn, led to a heightened risk of serious and lasting damage to public confidence in statutory financial reporting and in the accountancy profession.

From a financial reporting review perspective, IAASA's responses included the development of feedback and guidance material for listed entities' directors as well as the continued risk based selection of listed entities' financial reports for review. A total of 51 financial reports were reviewed during 2008 and, through the voluntary publication of revised financial reports in 28 instances and directors' undertakings to effect improvements in future reports in 39 instances, IAASA continued to contribute to the improvement of the standard of statutory financial reporting in Ireland during the period under review.

With regard to the audit profession, IAASA has liaised closely with the recognised accountancy bodies, whose responsibility it is to monitor the quality and standard of auditors' work, with a view to ascertaining and assessing their regulatory responses to the challenges facing their member firms. To the extent possible under the current regulatory arrangements, IAASA has also engaged directly with the larger audit firms with a view to gaining an understanding of their responses to the heightened financial reporting and audit risks.'

IAASA Chairperson, Ms. Karen Erwin, said:

'Recent events together with current economic conditions present an increased risk of serious and lasting damage to public confidence in statutory financial reporting and in the accountancy profession and it is the responsibility of all concerned to play their part, individually and collectively, in mitigating those risks and contributing to the provision and maintenance of a sound basis on which the public can have confidence in the profession of accountancy and its outputs. At such a crucial time, we need to ensure that Ireland's regulatory arrangements are reflective of internationally accepted best practice. Specifically, the Board continues to advocate that the public interest would be best served by the early implementation of the EU Commission's Recommendation on external quality assurance of auditors of public interest entities.'

Looking to 2009 and beyond, Ms. Erwin went on to say:

'In addition to continuing with our regular and ongoing supervisory activities, 2009 will present the additional challenges associated with progressing a number of statutory Enquiries and continuing to respond to the heightened financial reporting and audit risks arising as a consequence of the domestic and international economic downturns. In addition, arrangements for how the profession is regulated and overseen will be further strengthened and enhanced with the implementation of the EU Statutory Audit Directive later this year and those revised arrangements are likely to see IAASA conferred with significant additional statutory functions and responsibilities, which will give rise to new challenges.

In that context, the Board looks forward to continuing to work with Minister Kelleher and his Department towards ensuring that IAASA is best placed to meet those challenges. The Board equally looks forward to continuing to work with those entities coming within our supervisory remit and with our other principal stakeholders towards ensuring that the Irish accountancy profession and Irish statutory financial reporting are held in high esteem and can command high levels of public trust and confidence.

In conclusion, I would also like to express the Board's gratitude to former Minister for Trade & Commerce, Mr. John McGuinness, TD, for his interest in, and ongoing support for, the Board's activities during the year'.

Enquiries relating to the foregoing should be directed to Q4 Public Relations on 01 4751444.

Irish Auditing & Accounting Supervisory Authority
2 July, 2009

NOTE FOR EDITORS

Statutory objects

IAASA's principal objects, as laid down by the Companies (Auditing and Accounting) Act, 2003 (as amended) are to:

- supervise the prescribed accountancy bodies' regulation and monitoring of their members and member firms;
- monitor certain listed entities' statutory financial reporting for compliance with relevant reporting frameworks;
- act as a specialist source of advice to the Ministers for Enterprise, Trade & Employment and Trade & Commerce respectively on auditing and accounting matters; and
- promote adherence to high professional standards in the auditing and accountancy profession.

Supervision of the prescribed accountancy bodies

Nine prescribed accountancy bodies come within IAASA's supervisory remit. They are the:

- Association of Chartered Certified Accountants (ACCA);
- Association of International Accountants (AIA);
- Chartered Institute of Management Accountants (CIMA);
- Chartered Institute of Public Finance & Accountancy (CIPFA);
- Institute of Chartered Accountants in England & Wales (ICAEW);
- Institute of Chartered Accountants in Ireland (ICAI);
- Institute of Chartered Accountants of Scotland (ICAS);
- Institute of Certified Public Accountants in Ireland (ICPAI); and
- Institute of Incorporated Public Accountants (IIPA).

As at 31 December, 2008, the prescribed accountancy bodies' aggregate:

- membership resident in the State stood at 27,377 (an increase of 7% on the corresponding statistic at 31 December, 2007); and
- student membership resident in the State stood at 18,821 (an increase of 3% on the corresponding statistic at 31 December, 2007).

Monitoring of certain listed entities' statutory financial reporting

IAASA's financial reporting review constituency comprises of approximately 225 listed entities across the following categories:

Issuers of Equity	35
Issuers of Debt	134
Funds (closed ended)	56
Total (as at December 2008)	225

The above entities publish approximately 400 periodic financial reports per annum.

Resources

IAASA has a staff complement of 12. Its net expenditure in the year ended 31 December, 2008 was €1.964m. IAASA is funded through a combination of Exchequer funding and statutory levies on the prescribed accountancy bodies.