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CHAIRPERSON'S STATEMENT AND CHIEF EXECUTIVE'S REVIEW

CHAIRPERSON'S STATEMENT



Introduction

This is IAASA's ('the Authority') seventeenth Annual Report. It is with pleasure that I submit it to the Minister for Enterprise, Trade and Employment, in accordance with section 928(1) of the Companies Act 2014 ('the Act'). The Chief Executive's Review summarises the principal activities undertaken by the Authority during 2022 to fulfil its mission. The remainder of this Report provides further detail on these activities. In this Statement, I will outline the many strategic actions undertaken by the board and by IAASA in the context of its remit to oversee auditing and accounting in Ireland.

Governance

The board's first meeting in 2022 was its last meeting in fully virtual format due to public health restrictions. Board meetings take place in person with an allowance for virtual attendance where a member cannot attend physically. The board undertook its usual performance review but agreed to carry out a more in depth review and analysis in early 2023. I look forward to working with my colleagues on the board in implementing any outcomes arising from that review. During the year the board reviewed a range of operations within IAASA including its blended working policy, its innovation strategy and its supervisory approaches across the areas it regulates. At its away day the board considered the topic of crisis communications as well as its usual oversight of progress by the Authority. The board also had a session at which it discussed the proposals for changes to the Authority's vision and mission (see below).

Three year work programme

Under section 910 of the Act, the Authority is obliged to prepare and submit to the Minister a work programme every three years. IAASA's last work programme covered the period 2020-2022. During the year the Authority developed and submitted a new programme for 2023-2025. The most significant new element in that programme is addressing the challenges, both regulatory and operational, presented by sustainability. Proposals from the EU have the capacity to impact on every aspect of the Authority's regulatory work, and over the term of the programme legislation will be finalised, enacted and implemented. IAASA will assess what this means for the Authority and work with the Department to ensure it is adequately resourced to undertake its tasks. Other changes from the previous programme include the integration of the Authority's innovation policy, updating to reflect the fact that the enforcement unit is now fully operational, and reference to IAASA's flexible working policy under People as one of the programme's Enablers. The draft programme was issued for public consultation and the board approved the programme at its November meeting.

Vision and mission

Over the past few years IAASA has revisited its foundation documents, including its schedule of matters reserved

to the board, its values, as well as its work programme approach. During 2022 the board and IAASA staff undertook a review of IAASA's mission, and also considered whether it should also have a vision for the auditing and accounting profession. Through a series of workshops and internal consultations the Authority clarified its own purpose and the board approved the new vision and mission in late 2022. These are now included in all of our publications and provide a clear sense of direction for the Authority in carrying out its statutory remit. Having completed this work, the board will now review the schedule of matters reserved to the board in 2023 once more to ensure it remains appropriate.

International relationships

The Authority continued to contribute to the improvement of audit quality with its international peers both within the EU (as a member of the CEAOB) and also globally (with IFIAR). This is in line with IAASA's strategy to engage with our global peers, and also provides opportunities for growth and development for IAASA staff.

At European level, Ireland chaired a task force which undertook a review of the European audit regulation and directive. Ultimately the CEAOB delivered a comprehensive submission to the Commission setting out key priorities agreed by national regulators, including an enhanced role and powers for the CEAOB to improve consistency in regulation across Europe, as well as the removal of any barriers to information sharing between regulators, clarification on the role and regulation of audit committees and further support for national regulators to undertake their work. This work was initially undertaken to contribute to the Commission's work in updating European legislation. Regrettably this work is now on hold pending the completion of the substantial work at EU level on implementing sustainability proposals. IAASA will continue to contribute to this work, through its membership of the consultative group that guides the work of the CEAOB as well as the relevant subgroups that practically assist members.

IAASA is a member of the board of IFIAR for a four year term from 2021 to 2025. IFIAR board meetings are a mix of virtual

and in person, and IAASA is also a member of the Audit and Finance Committee. IAASA staff participated in inspection and enforcement workshops in 2022 and we look forward to the resumption of in person workshops in 2023. This engagement is of significant benefit to IAASA in regulating what is a global profession operating in accordance with global standards

Board changes

Daniel Sinnott, the nominee of the Revenue Commissioners, resigned as a director during the year and was replaced by Sandra Davey. Brendan Sheridan, the nominee of the Central Bank, also resigned during the year and was replaced by Eida Mullins. I would like to thank both Daniel and Brendan for their work on the board and to welcome both Sandra and Eida.

Concluding remarks

2022 certainly felt like a return to normality for IAASA and those with whom it engages. Across those entities we regulate as well as those we work with to support regulation there were long overdue face to face engagements this year. There is no doubt that the last three years have resulted in significant changes to how we all work together, but at the same time the value of engagement in person has been underlined now that it is taking place once more. There is a balance to be struck and like all other organisations, IAASA will seek to strike the right balance in this regard.

As well as the challenges and burdens that this period has brought, it has also been a spur for innovation, both technical innovation and process innovation. IAASA has developed its own innovation policy supported by a dedicated Organisational Development unit but driven by its people. This has resulted in innovation across both its operational and support activities, and has helped inculcate a culture of openness to change and new thinking within IAASA. The board has reviewed and supports the Authority's innovation policy which allowed it to continue to operate at a high level throughout the last challenging years.

Every year since I became chair of the board of IAASA has brought developments in audit and accounting regulation and in the profile of IAASA. The issuing of auditing standards for Ireland, audit inspection reports, the impact of Brexit, the development of IAASA's role at international level as well as its longstanding roles in overseeing the accountancy profession and reviewing the financial statements of issuers, have underlined the importance of our work. Over the last few years we have created social media channels to augment our communications reach. This is in line with our vision for public trust and confidence in quality audit and accounting. In order to create that

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public trust IAASA needs to be visible in carrying out its work, and effective in communicating the results of that work. Our new vision will provide a compass for IAASA as it continues to develop in the coming years.

I want to acknowledge all of the hard work of my colleagues on the board of IAASA during 2022. We operate in a challenging but respectful manner that allows for meaningful engagement on the matters that are the responsibility of the board. I want to thank the Minister and his colleagues in the Department who have supported the Authority in carrying out its work and with whom we maintain a very positive working relationship, a matter of particular recognition. The Chief Executive and the leadership team who also attend board meetings continue to be held in the highest regard by the board, and we strive to support but also hold them to account throughout the year. I also want to pay tribute to the staff of IAASA who as well as carrying out their work professionally and effectively, were also at the core of innovation, of developing the vision and mission statements and the new work programme, and representing IAASA both within Ireland and internationally. As we look to a sustainable future with all of the challenges and opportunities that this brings, I am confident that IAASA can play its part to the full.

Martin Sisk
Chairperson
25 April 2023

CHIEF EXECUTIVE'S REVIEW



Introduction

The purpose of this review is to provide an overview of the activities of the Authority in 2022. In 2022 IAASA came to the end of its current three year work programme, and at the year end in accordance with the Act a new programme was prepared and submitted to the Minister. IAASA's annual activities are set out in a business plan which is aligned to the strategies, strands and enablers in the work programme. This ensures that as well as complying with our statutory obligations, IAASA's work reflects the vision and mission of IAASA. The Authority's work in achieving the targets established in the business plan are set out in detail in the main body of this report. The report also identifies illustrations of specific work undertaken to give a fuller sense of what we do. This year we have also given examples of how sustainability has already impacted IAASA, both from a regulatory and an operational perspective. My review provides a brief summary of this work.

Key activities

IAASA issues auditing and ethical standards for statutory auditors in Ireland. These are based ultimately on global auditing standards which are issued by the IAASB. The UK regulator the FRC adopts these standards, and it may make amendments. IAASA's policy is to take the standards issued by the FRC and assess their compliance with Irish/EU law and also their appropriateness for the Irish market. Where necessary IAASA amends the standards before issuing them for application in Ireland.

In 2022 IAASA issued six SIRs, standards for auditors acting as reporting accountants on investment circulars. It also consulted on proposals to revise ISA600 on group audits and this work was well advanced at year end. And as part of its awareness raising activities it launched both a newsletter and a series of educational videos (publicised through social media) on topical auditing standards matters.

IAASA supervises certain regulatory activities of all prescribed accountancy bodies (PABs), including those bodies who are recognised for the purposes of allowing their members to apply to join the register of statutory auditors (RABs). The latter are subject to more comprehensive regulation in accordance with EU legislation.

IAASA has a structured approach to how it regulates the activities of accountancy bodies, and in 2022 it undertook a series of regulatory reviews of how these bodies license and approve their members as auditors. Additionally, the Authority undertook a thematic review, both in Ireland and across the EU through CEAOB, of the understanding and implementation of the good repute requirement for auditors under EU law. And we issued guidelines on how bodies undertake quality assurance of their members. The Authority is currently working on guidelines on approvals and licensing, which it hopes to issue in 2023.

IAASA reviews the corporate reports of certain listed entities and funds under the EU Transparency Directive, and in 2022 it examined 32 annual reports and three half yearly reports. Arising from this regulatory activity, it obtained undertakings from 15 issuers who in total provided 49 undertakings requiring amendments in their reporting in the future. IAASA also has the power to require entities to issue corrective public notices, informing the market where there have been issues with reports that the Authority believes need to be disclosed. Three such notices were issued in 2022. Alternative performance measures (i.e. reporting of performance not in accordance and/or not properly reconciled with performance as measured under financial reporting standards) continue to be a significant area for engagement. However IAASA has also identified issues relating to sustainability and climate change risk, and issued a paper on this amongst a number of papers issued in 2022. At a European level IAASA assisted ESMA in its review of draft European Sustainability Reporting Standards issued by EFRAG.

The Authority's inspection of PIE audit firms continued in 2022. Seven audit firms are now directly regulated by IAASA in this manner. IAASA selects a sample of firmwide policies relating to audit quality in accordance with an overall programme agreed with its European peers, and it also reviews a sample of individual PIE audit files to assess audit quality in practice. During the year the Authority reviewed a sample of 35 audit files within those firms. The results of that work indicate a relatively high (by international standards) level of audit quality, with 89% of those being assessed as of a good standard. Nevertheless there were some issues identified in firmwide policies that received the highest severity rating possible. IAASA issues recommendations that must be implemented within twelve months failing which it will open an enforcement case. During 2022 we also welcomed our US colleagues the PCAOB back after a three year hiatus. Certain firms fall to

be regulated by the PCAOB as they audit US listed entities, but such regulation must be carried out in conjunction with IAASA. IAASA also held what is now its annual audit committee briefing in October. We also continued our work across the many subgroups and task forces both at CEAOB and in IFIAR.

On the enforcement front, the Authority remained busy in 2022. One settlement agreement was concluded in relation to failures by a PAB to follow procedures in undertaking an investigation into one of its members. At the year end IAASA was investigating six cases using its powers under section 934 of the Act. This represents the highest number of cases open in the history of the Authority. Most of these it is hoped will result in settlement agreements. IAASA's senior enforcement counsel presented at a number of international fora on the achievements of IAASA as a small regulator in bringing enforcement cases to a successful conclusion.

IAASA's corporate services unit provides a range of support functions to the Authority to allow it to function effectively. IAASA's flexible working policy requires a high quality secure ICT system and investment continued to ensure that this remains the case. The unit also developed policies and procedures to further embed the blended working policy under which the Authority now operates. IAASA launched its new website at the end of the year and the corporate services unit has responsibility for the security and maintenance of the site.

Responsibility for cross-functional activities, innovation and continuous improvement is assigned to the Organisational Development Unit. Developments in 2022 included a new wellbeing strategy and learning and development systems, and further integration of our values into our ongoing work. IAASA also enhanced its social media footprint with new content on LinkedIn and YouTube being developed throughout the Authority. The unit also supported innovation in our regulatory and operational processes, and oversaw the development of the Authority's new vision and mission.

Concluding remarks

The rest of this report sets out the full range of IAASA activities in 2022. IAASA's remit covers a wide range of regulatory activities, encompassing over 40,000 accountants, seven of the largest audit firms in the country and almost 100 corporate entities. All of this work is undertaken in line with legal imperatives and based on specific risk assessment to uphold quality corporate reporting and an accountable profession. IAASA's new mission is an explicit statement of what has always been at the core of the work of the Authority.

We are now operating in an environment that has significantly changed over the last three years. The imperatives of sustainability will add more uncertainty and challenge to our work. As an organisation IAASA strives to operate at the highest levels of quality to enhance and support Ireland's reputation as a good place to do business. A reliable and effective regulatory environment is widely recognised as one of the key elements in maintaining that reputation. Enterprise and regulation are both international landscapes, where IAASA needs to be a visible and effective presence. IAASA also operates in a highly competitive environment for talent. Our people are highly valued for their expertise but also for their professionalism and capacity to operate at the highest level both at home and abroad. As Chief Executive, one of my key tasks is to build an organisation which allows them to thrive, albeit within the parameters of a state agency with comparatively few staff. One of our achievements of which I am most proud was our ability to attract quality candidates to fill vacancies that arose across the Authority in 2022. IAASA is fortunate to have a team who display our values of independence, excellence and integrity throughout their daily work. They all contribute much more than just their day job and it is down to their enthusiasm and dedication that the culture of innovation and development, both personal and organisational, is now embedded across the Authority. I would also like to express my gratitude to the board of IAASA who carry out a complex task with dedication and rigour. The content of this report underscores in my view the fact that the regulation of the profession remains in a strong and healthy place.

Kevin Prendergast
Chief Executive
25 April 2023