

AUDIT COMMITTEE INSTITUTE

Quarterly

31

June 2016

In this issue

- Mind the gap... The Annual Report can do more
- A good year in prospect for dealmakers
- Beneficial Ownership Registration and the fight against Money Laundering
- Local regulatory update
- Financial reporting update
- Events



Background

About the Audit Committee Institute

Recognising the increasing importance of governance issues, the Audit Committee Institute Ireland (ACI) was established to serve both audit committee members and non-executive directors to help them to adapt to their changing roles.

Historically, those charged with governance responsibilities have largely been left on their own to keep pace with rapidly changing information relating to governance, remuneration, audit issues, accounting and financial reporting. Supported by KPMG, the ACI provides knowledge to non-executive directors and a resource to which they can turn at any time for information, or to share knowledge.

Our primary objective is to communicate with all senior business people to enhance their awareness and ability to implement effective board processes.

The ACI aims to serve as a useful, informative resource for members in such key areas as:

- Governance, technical and regulatory issues
- Sounding board for enhancing all board committees' processes and policies
- Surveys of trends and concerns.

The ACI is in direct contact with over 1,300 members. For more information on the activities of the ACI, please visit our website at: www.kpmg.ie/aci.



Contents

Welcome	4
Mind the gap... The Annual Report can do more	6
A good year in prospect for dealmakers	10
Beneficial Ownership Registration and the fight against Money Laundering	13
Local regulatory update	16
Financial reporting update	20
Events	24

David Meagher,
Chairman,
Audit Committee Institute Ireland
Partner Audit,
KPMG in Ireland



Welcome

Welcome to the latest edition of **Quarterly**, a publication designed to help keep audit committee members and non-executive directors abreast of developments in areas of corporate governance and related matters.

The key topics covered in this issue include:

- Mind the gap... The Annual Report can do more
- A good year in prospect for the deal makers
- Beneficial Ownership Registration and the fight against Money Laundering
- Regulatory updates
- Financial reporting matters

I hope you will continue to enjoy the ongoing benefits of ACI. Please contact us at aci@kpmg.ie with any comments or suggestions of topics you would like to see covered and visit our website at www.kpmg.ie/aci for further information.



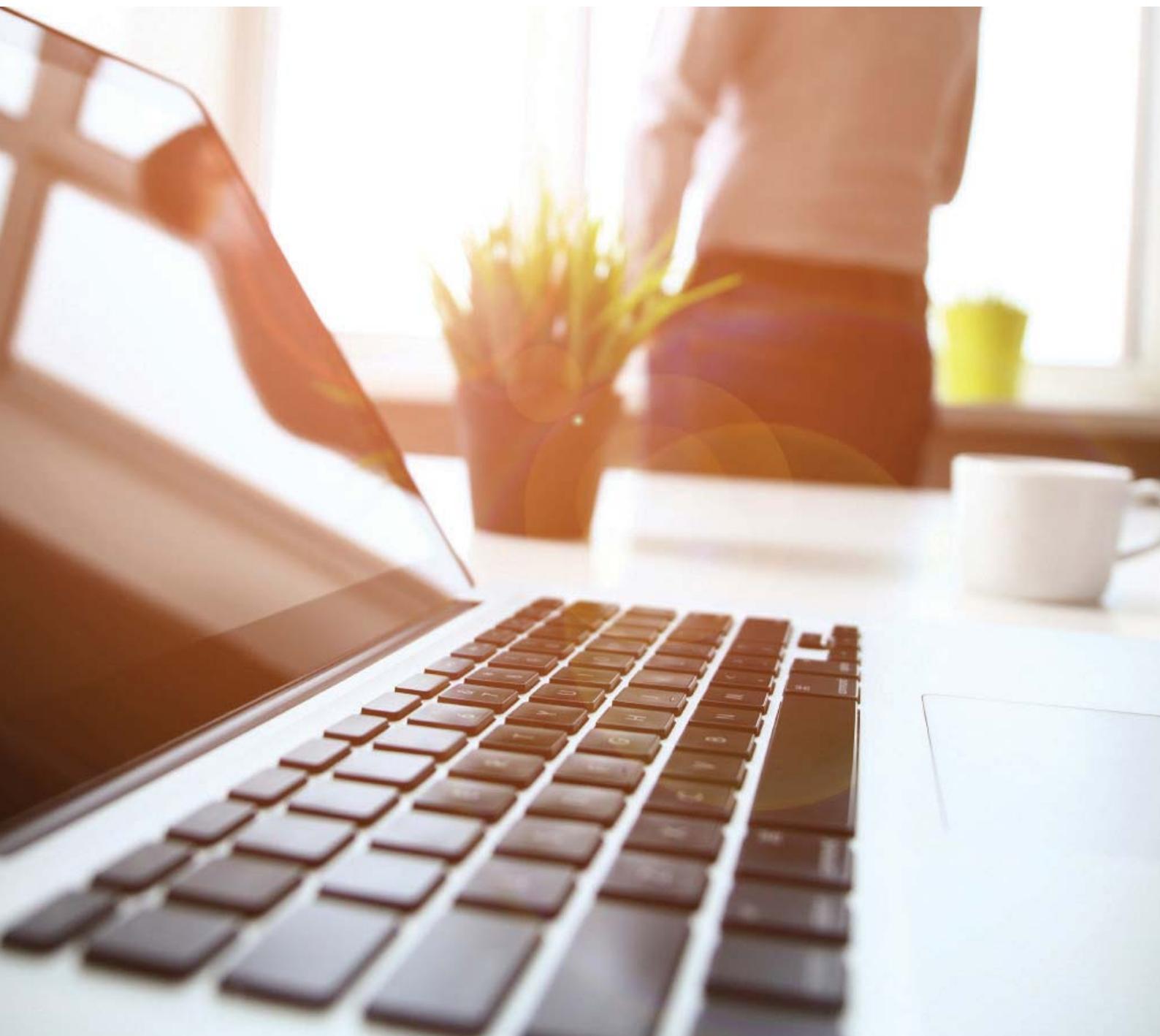
David Meagher,
Chairman,
Audit Committee Institute Ireland
Partner Audit,
KPMG in Ireland

Mind the gap... The Annual Report can do more

“We are asking that every CEO lay out for shareholders each year a strategic framework for long-term value creation. Today’s culture of quarterly earnings hysteria is totally contrary to the long-term approach we need.”

Larry Fink, CEO BlackRock - letter to S&P500 Company CEOs, Feb 2016

<http://uk.businessinsider.com/blackrock-ceo-larry-fink-letter-to-sp-500-ceos-2016-2>



Capital markets rely heavily on relevant information presented clearly and accurately to support investment decision. Therefore, the clarity and insights provided by corporate reports has a critical role in ensuring markets function efficiently and help support a healthy economy.

We believe strongly that accurate and timely financial reporting can play a central role in supporting investors, but it cannot present a complete picture of business

performance and prospects on its own. Critically, investors must also assess the underlying health of a business, its potential for growth, and the long term sustainability of its earnings. All of this can be addressed through a well-crafted, strategically and operationally focused Annual Report.

In addition to the content addressing Governance, compliance matters and financial reporting, the Annual Report should include insightful sections addressing

how the organisation creates shareholder value including setting out its Business Model and Strategy, Risks and Opportunities, and Performance and Prospects in order to better meet investor needs. In our view, there is significant room for most reporters to enhance the manner in which their Annual Report deals with these matters. The Audit Committee can play a vital role in the migration towards more holistic reporting.



Business model and strategy

The purpose:

The **business model** should provide the foundation for stakeholder understanding of the investee within a good report. In practice, the descriptions provided of the model are generic and provide inadequate insight to do this effectively. A complete business model description linked to strategy and performance information can help readers better assess business performance and whether long-term shareholder value creation can be expected.

The **strategy** section of annual reports is too often focused on areas that offer the most immediate returns, such as organic expansion and efficiency. Aspects of strategy that address the longer-term health and performance of a business, such as innovation, customer experience and business reputation, are addressed much less frequently.

What to include:

Business-centric reporting frameworks, such as Integrated Reporting and the UK's Strategic Report, rely on an effective **business model** description. Rather

than prescribe every potentially relevant disclosure, they make use of the description of the business itself as a basis for defining what to include in an annual report. The business model should provide a foundation for the annual report as a whole.

With regard to **strategy**, organisations vary as to their comfort in communicating their strategy in detail, especially around organisational change, potential diversifications, future investments, etc. However, there is an argument to say that if you're good at what you do, and your plans are actionable, transparency on strategy, even if only on relatively short-term horizons, should better support stakeholder engagement and insight into how value is created by the organisation over the short, medium and long term.

Some questions for the Audit Committee to consider:

Business model

- Is the business model set out in a way which covers aspects such as products, customers, staff, brand, expertise, operating base,

supply relationships, and key processes?

- Is it clear how the business differentiates itself?
- Is the value chain the business operates within clearly explained?
- Has the business environment and operating context been explained?

Strategy

- Is the strategy that is intended to achieve the business objectives clearly explained as to:
 - Underlying initiatives, activities and processes
 - Short, medium and long-term application
 - Performance measures and targets
- Does the strategy articulate how the business responds to the material issues identified in the risk assessment?
- Does the organisation explain the resources it requires to execute on the strategy?
- Can you readily track progress against the strategy and hold management accountable?



Risks and Opportunities

The purpose:

In many cases, the risk content of Annual Reports can appear as though it has been published in order to comply with regulations rather than help investors understand how companies manage their most important risks.

A common issue is failure to focus on the risks that are most relevant to business value. A failure to protect key business assets, such as reputation, know-how, and customer relationships can result in shareholder value destruction but often these are not explicitly explained or responded to in the risk section of reports.

What to include:

Leading reporters tend to present the following components in the risk section of the report:

- a. Source of business intelligence used to identify risks and opportunities on an ongoing basis
- b. Risk appetite of the business
- c. Categorisation and prioritisation of risks
- d. Clear presentation and connectivity of risks and impacts to strategic responses.

Some questions for the Audit Committee to consider:

- Have material risks and opportunities been identified and explained in context and in terms of their impact on the organisation?
- Is there clear articulation as to the short, medium and long-term probability and impact of each risk and/or opportunity?
- Is the organisation's strategic response to material issues clearly explained?



Performance and Prospects

The purpose:

Many stakeholders express frustration with what they consider to be an excessive emphasis on short-term earnings performance. Robust investment valuation methodology should be underpinned by an assessment of the long-term earnings prospects of a business. We believe that better reporting of non-financial key performance indicators can help to redress this imbalance. For example, operational KPIs can provide an important insight into the development of the business and its longer-term prospects.

What to include:

Forecast information is at the top of many investors' wish-lists for changes in corporate reporting. Yet from the corporate side, there is concern that management should not be seen to take responsibility for factors beyond their control.

We have looked at a range of measures across six areas that we consider relevant to understanding the performance and prospects of most businesses:

a. **Customer and sales performance** – it can be difficult to see whether a company has had a 'good year' in customer-facing terms based on the discussion of financial revenues alone.

- Some illustrative measures can include: customer satisfaction and retention, customer base and sales conversions.

b. **Brand and market share** – the use of market related data can help support a more outward-facing discussion of performance and

should be done on a year to year basis to allow comparison in brand enhancement over time.

- Some illustrative measures include: brand/market share, brand recognition, reputation or brand value.
- c. **Intellectual capital** – this is often the area that companies find hardest to report on, and as a result intellectual capital is often limited to R&D.
- Some illustrative measures include: retention of key expertise, revenue earned from new products, development pipeline and IP expiry exposure.

d. **Operational efficiency** - efficiency reporting can play a key role, not only in measuring business success, but also in providing insight into the underlying cost base of the business.

- Some illustrative measures include: Utilisation of staff and assets, variance analysis, production cost base, efficiency initiatives.

e. **Staff performance** - staff-based performance measures have an important role to play in explaining business performance; however the measures reported are often not focused on investor needs.

- Some illustrative measures include: key staff retention, benefits, training and flexibility, productivity and labour relations, expertise.

f. **Product performance** – many companies will report on this aspect through product sales or production. These measures can

provide valuable insight into the drivers of profits and growth, but do not address longer term factors relating to the health of the product base.

- Some illustrative measures include: new product launches, product quality and safety.

Some questions for the Audit Committee to consider:

- Is KPI data readily available and cost effective to capture?
- Can this data be benchmarked and reported on a timely basis?
- Is the data reliable?
- Is the data useful to stakeholders?

Closing message

Many progressive corporates are now using the Annual Report to better articulate and differentiate their value creation story. Therefore, to end with the words of Blackrock CEO, Larry Fink:

"Corporate leaders have historically been a source of optimism about the future of our economy. At a time when there is so much anxiety and uncertainty in the capital markets, in our political discourse and across our society more broadly, it is critical that investors in particular hear a forward-looking vision about your own company's prospects and the public policy you need to achieve consistent, sustainable growth. The solutions to these challenges are in our hands, and I ask that you join me in helping to answer them."

Article by

Colm O'Sé and Caroline Pope
KPMG Ireland





A good year in prospect for dealmakers

A KPMG survey on mergers and acquisitions suggests that deals this year could top 2015's buoyant levels.

The **KPMG M&A Outlook 2016** survey predicts that deal activity this year will top already buoyant 2015 levels, with the healthcare, pharmaceuticals and life sciences sector expected to see most deal flow in the year ahead.

Other key findings point to a high level of confidence among Ireland's M&A decision-makers, with debt forecast to be the primary source of funding for acquisitions in 2016. There is also a belief that this year will see a return to transaction health for the beleaguered construction sector.

This is the second year of the survey which identified a renewed sense of optimism among Irish dealmakers in 2015. This was reflected in strong M&A activity, with Irish companies involved in several transformational transactions both domestically and overseas. These included the €8 billion Paddy Power-Betfair merger, CRH's acquisition

of assets from Lafarge-Holcim in a deal worth €6.5 billion and One51's strategic acquisition of Canadian plastics producer IPL, which will give it a platform in North America.

The survey reflects the views of more than 100 of Ireland's top M&A decision-makers and influencers. According to KPMG Head of Transaction Services Mark Collins *"We surveyed people at a very high level in corporates, including CFOs, heads of M&A and, in some cases CEOs,"* he says. *"We also spoke to the banks, advisers, and the private equity community. A very good representative cross-section of Ireland's M&A community participated."*

Collins believes the survey is timely in that M&A activity is itself a useful economic indicator. *"Mergers and acquisitions activity is a good bellwether for the economy. It tends to reflect what's happening in the*

economy generally. In fact, it can even be a predictor."

The 2015 survey was prompted by the increase in M&A activity, which was indicative of the upturn in the wider economy. "We thought that people would be interested in getting perspectives from an Irish professional services house that touches at least 50 per cent of the transactions which happen on the island," Collins notes.

"We were also seeing an improvement in both the economy and M&A activity and we wanted to validate and verify that with decision makers around the country. The 2015 survey acts as a reference point for this year's and the exercise will become more interesting as the years go by."

One of the key drivers of activity during 2015 was enhanced access to capital as more and more dealmakers looked to finance new

acquisitions through debt and equity markets. There were notable equity fund raisings during the year by newcomer PLCs such Dalata Hotel Group, Malin Corporation and Cairn Homes. Indeed, despite continuing volatility on global equity markets, IPOs and equity fund raisings remain attractive options for organisations seeking to raise funds.

Looking to the year ahead, half of all respondents intend to finance potential acquisitions through debt funding. This reflects the improved availability of credit in the market.

It also an indication that debt providers, particularly the Irish banks, are willing to extend credit to fund sound, local transactions on quite attractive terms.

The drop in value of the euro has also been an influencing factor.

"Dollar and sterling buyers have enjoyed increased purchasing power as a result," Collins says.

"Many of their targets are export led companies selling on to dollar and sterling markets and converting sales revenue back into euro. That is making them even more attractive and there is an element of a double whammy in that."

Unsurprisingly, the healthcare and pharmaceutical sector is once again expected to be at the forefront of activity in 2016. This was in part due to a number of high-profile corporate inversions featuring Irish domiciled companies, including Shire-Baxalta.

While transactions of this scale and nature are considered unlikely to be repeated in 2016, survey respondents still anticipated substantial acquisitive activity involving pharma and biotechnology companies.

Other sectors expected to see substantial activity in the year ahead include technology and the agribusiness and food sectors. Many respondents also believe that this will be the year in which transactions within the Irish construction sector will continue to recover.

The main factors driving deals were quite diverse, according to the

survey responses. Strategy was the main consideration discussed in Irish executive boardrooms when identifying potential acquisitions. Companies are seeking to maximise shareholder value by identifying suitable targets in similar industries which will boost earnings growth through new sales channels for existing products, new technologies, complementary products acquired, and so on.

The achievement of cost synergies through the elimination of duplicate back-office functions, reduced accommodation requirements and leveraging increased buying power were also cited as an important factor.

Very interestingly, opportunistic acquisitions were deemed to be the least attractive of rationales. This indicates that Irish deal-makers are interested in acquisitions that enhance shareholder value over the long term rather than short-term fixes.

Collins sees this diversity as a strength. "Buyers will do deals for different reasons, it might be to acquire a customer base or new technologies or intellectual property or it might be to establish a foothold in a new market. It could also be to realise synergies. This diversity is a positive, buyers are now much more focused on cash-flow generation than they were 10 years ago. The due diligence we are carrying out now is very much around cash flow and that is a good thing."

Price expectations remain positive, although Collins does sound a note of caution in this regard. "There was an overwhelming belief among respondents that we have entered a cycle where price multiples are more likely to increase than decrease.

"This is as a result of companies being able to point to a track record of sustainable earnings, availability of funding and growth prospects fuelled by a resurgent Irish economy. Companies which have emerged from the recession will be able to point to a further year of earnings growth in 2016 and that can only make things better."

"On the other hand, when we look at what's been happening in China, the decline in sterling, the fall in the oil price and equity market falls in recent weeks, you would have to wonder if that sentiment would remain as strong. A month or even a week can be a long time when it comes to market sentiment."

That said, survey respondents expressed reservations in relation to price expectations on the part of vendors and said this could inhibit the level of deal activity this year. Deal-makers were also cautious about the impact on investment decisions of potential changes in the political landscape.

"Confidence is very strong but we have to be aware of these factors," Collins says. *"The potential negative impact on investment decisions of recent developments such as ongoing concerns over a slowdown in the Chinese economy, volatility in global equity markets, depressed oil prices and the weakening of sterling has to be borne in mind."*

"Upcoming elections in Ireland and the US as well as a vote on a British exit from the EU in 2016 will inevitably influence M&A sentiment as well. However, it has to be said that the overall sentiment remains very positive at present."

Article by

Mark Collins
KPMG Ireland

This article originally appeared in The Irish Times and is reproduced here with their kind permission.

Beneficial Ownership Registration and the fight against Money Laundering

An enduring look behind the corporate veil?

Ireland gears up for its review by the Financial Action Task Force and prepares to implement the Fourth Anti-Money Laundering Directive.

The Financial Action Task Force (FATF), the inter-governmental authority on Anti-Money Laundering (AML), is currently assessing Ireland Inc. with regards to its ability to combat money laundering at a national level. This review is crucial for Ireland, as a negative rating can adversely impact the nation's attractiveness to multinationals seeking a location for their European or global headquarters. It is with these thoughts in mind that legislators have begun drafting the next wave of AML legislation for the country.

Money Laundering

Within the European Union the fight against financial crime and money laundering is afforded high priority, and to this end the Commission passed the Fourth Anti-Money Laundering directive (4AMLD) in

June 2015. This latest directive was developed with a view to bolstering the existing regime, which has now been in place since 2005. Under the current regime the primary burden in the fight against money laundering falls on the shoulders of financial services providers. Non-financial services companies are most recognisably impacted by the requirements to satisfy customer due diligence requirements when engaging with financial services providers. However, under the new regime this is changing.

Taking a step back, to understand how authorities plan to tackle money laundering, it is first worthwhile understanding what money laundering actually is. Most people will be aware of the basic premise: detaching the proceeds of crime from their illicit origin via a series of complex transactions in an effort to obscure the origin. As

a consequence of this laundering process, funds generated through criminal means may then be used within the mainstream economy.

Money laundering has three fundamental steps: placement, layering, and integration. Placement is the name given to the act of getting funds into the financial system. This is often the most difficult stage of the process, and has been the focus of money laundering efforts vis-a-vis due diligence requirements. Layering is the process of obscuring the funds' origins. A series of complex transactions, often through foreign jurisdictions, is used to disguise the source of the funds. In the final stage, integration, the funds are reintegrated into the mainstream economy, having been combined with legitimate funds to fund asset purchases and investments.

Money Laundering



Existing Regime

The current AML regime is enshrined in Irish law by the Criminal Justice Act 2010, as amended in 2013 (collectively the CJA). The act requires that firms deploy a risk-based approach to AML, meaning that appropriate resources are allocated to parts of the business that are identified as vulnerable in order to manage that risk.

By way of high level summary, financial services organisations, and other regulated entities such as law firms, accountancy firms, car dealers and jewellers, are required to:

- Perform an AML risk assessment;
- Identify their customers and verify their identity;
- Identify any beneficial owners, and, where the risk warrants, verify their identities;
- Monitor transactions for suspicious behaviour;
- Report any suspicious behaviour to the relevant authorities; and
- Have appropriate governance measures in place to ensure that the above requirements are documented and complied with.

These measures serve to provide firms with the necessary infrastructure to identify behaviours indicative of money laundering. Where such behaviours are identified, firms must alert the authorities - the Gardai and the Revenue Commissioners - via a Suspicious Transaction Report.

The Irish AML framework is established in criminal legislation, and penalties for non-compliance are therefore severe. For corporates, the responsibility for complying with AML legislation lies with the Board of Directors, and individuals can be held personally responsible for any failures. It is therefore imperative that firms and individuals are aware of their responsibilities under law.

Register of Beneficial Ownership

The Fourth Anti-Money Laundering Directive of the European Union (4AMLD) is due to be transposed into Irish law by June 2017. In addition to building on the existing infrastructure, the new framework introduces some significant additional requirements, the most significant of which is the centralised register of beneficial ownership. Every company will now be responsible for maintaining such a register.

Under the current regime, beneficial owners are considered to be the

natural persons for whose benefit a legal structure operates or a transaction is carried out. In order to combat money laundering it is vital for firms to understand who owns, and ultimately controls, entities availing of financial services. At present, beneficial ownership is established by owning or controlling greater than 25 per cent of the shares or voting rights, or by otherwise exercising control of an entity, including by proxy. Where there are no such beneficial owners, the senior management will often be considered to be the beneficial owners. Importantly, beneficial owners must be natural persons.

The 4AMLD requires all corporates and legal entities to hold and maintain adequate information on their beneficial owners. Once the 4AMLD has been transcribed into Irish law, firms will be required to provide that information to a centralised register. This register will need to be updated on a regular basis and will be accessible to regulators and entities regulated for AML purposes, i.e. financial services companies, law firms, accountancy firms, etc. This means that most legal structures will be required to understand and maintain an externally accessible record of their owners.

Under Article 30 of the 4AMLD, national governments will be required to facilitate the operation of a centralised register of beneficial ownership. As a consequence, corporates and other legal structures will be required to maintain and update this register so that the information remains accurate. This register will be accessible by tax authorities, competent authorities (such as the Central Bank of Ireland), regulated entities, and any other parties that can demonstrate a legitimate purpose. The rationale behind this register is to simplify the customer identification process and to act as a countermeasure to the opaque barrier which is often created by the introduction of offshore entities into a corporate structure.

The requirement to maintain the beneficial ownership register will affect most corporates and legal

arrangements in Ireland, not only financial services providers. What is yet to be seen is how this register is intended to operate. As of yet, there have been no indications, but given the relatively short deadline for implementation, draft legislation ought to be imminent.

First mover - UK

We may look to our neighbours across the Irish sea for an indication of what might be in the pipeline for Ireland. In April 2016, the UK implemented its version of the register, requiring that firms identify and record "Persons with Significant Control". Whilst this register does not go quite far enough to satisfy the requirements set down in the 4AMLD¹, it does provide some insights into how such a register might operate. The main points to note are:

- Failure of firms to maintain the register will be a criminal offence, punishable by fines and/or imprisonment;
- No firm will have a "blank" register, if a firm believes that it has no such owners it must note that fact;
- "Significant Controllers" (i.e. beneficial owners) will be expected to notify companies of their interest. Failure to do so will be an offence, and may result in the loss of rights in said company; and
- Firms will be required to file this information with Companies House annually, and such information will be available for public inspection.

The register has been active in the UK for only a brief time², so it is yet to be seen how effective a tool it will be in the fight against money laundering. It is conceivable that Irish legislators are adopting a "wait and see" approach, seeking to capitalise on any lessons learned in the UK as a means to craft a workable register for Ireland.

Various commentators have noted that the UK's version of the register does not meet one of the 4MLD's primary requirements, in that information is only required to be

updated on an annual basis. The 4MLD, on the other hand, requires that information held is "current". This limitation may significantly hamper the register's use in the fight against money laundering.

Next steps

A significant and valid concern which has been raised by individuals relates to the accessibility of the information held on the register. A fully public register (which is being mooted) could potentially expose individuals to abuse. For the register to be effective, the beneficial owners' addresses will be held and visible. This could put those individuals at risk of being targeted for extortion, kidnapping or blackmail, or expose expats to abuse from rogue governments. This is a serious risk that must be managed, and various countermeasures have been considered, such as hiding addresses from the public while leaving them accessible to regulators and regulated entities. The 4AMLD has been subject to public consultation in Ireland and this specific issue has been raised in Parliamentary Questions in the Dáil. On that occasion, the Minister for Finance noted that 2 of 19 submissions were in favour a fully public register (with in-built protections for 'at risk' individuals), whilst 8 of 19 opposed a public register. Those opposing public access instead seek to limit access to regulators, financial institutions and others with a legitimate demonstrable interest². Given the risks posed by organised crime in Ireland, it might be sensible to reasonably limit access to information held on the register.

The drive for greater corporate transparency is a global trend, one which is gaining pace rapidly. The public and regulators alike resent the ongoing abuse of secrecy jurisdictions as a means to evade tax and launder funds. As the scars from austerity are still fresh, the public is increasingly expectant of accountability and for us all to pay our "fair share". The most recent example, i.e. the Panama Papers, provides a timely *raison d'être* for the 4AMLD, highlighting how easily

national efforts to combat money laundering can be overridden in an evermore globalised economy.

As noted above, the beneficial ownership register is another weapon in the fight against money laundering, one that will be welcomed by regulators and tax authorities, and is likely to be resented by those companies who find themselves subject to ever greater administrative burdens. It is clear that the register, once implemented, will inhibit the ability of individuals to hide behind corporate structures, and as a consequence restrict their ability to launder illicit funds. But the impending regulatory changes will not be able to stop money laundering entirely, as the fight is inherently international in nature. Until the fight is taken up with equal effort by all governments, it will continue to be an uphill struggle. One thing is certain regulatory regimes are converging on models requiring greater, not less, transparency. Therefore expect greater momentum in this vein in the future.

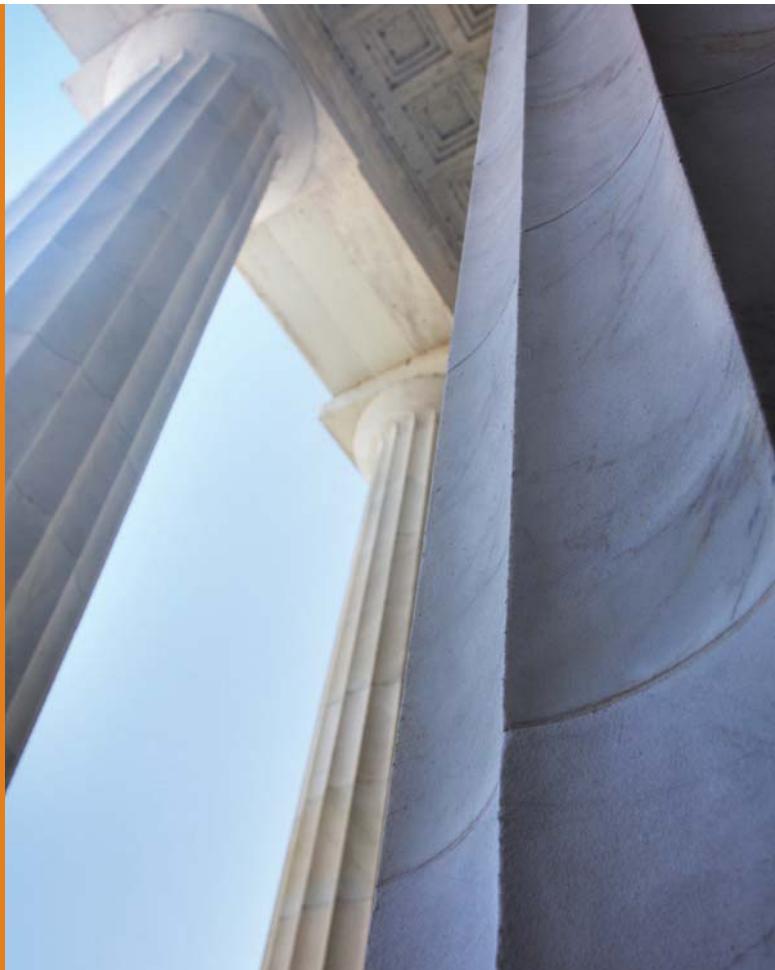
Article by

Niamh Lambe and Ryan O'Hagan
KPMG Ireland

¹ Not all of the entity types required by the 4AMLD are captured in the Person with Significant Control Register; for example, Scottish Limited Partnerships are currently excluded.

² Dáil Éireann, Parliamentary Questions, 18 April 2016

Local regulatory update



Substantial progress has been made in the UK regarding implementation of EU legislation. The Accounting Directive has been transposed into UK Law and the Financial Reporting Council (FRC) has published final draft updates to the UK Corporate Governance Code and related Guidance on Audit Committees and revised Auditing and Ethical Standards, needed to implement the EU Audit Directive and Regulation. However, in the Republic of Ireland the transposition of the EU Accounting Directive and the EU Audit Directive and Regulation into Irish Law is still outstanding. Following the general election in February 2016, Ireland was being led by a caretaker government, thus resulting in delays in implementing the EU legislation. The Central Bank of Ireland has been busy during the period and there have been several developments in relation to financial services regulation.

Companies Act 2014

Under the Companies Act 2014 Commencement Order (S.I. No. 169 of 2015), the majority of the Companies Act 2014 provisions came into effect on 1 June 2015. However a number of provisions will apply to entities only from the financial year beginning on or after 1 June 2015. These provisions include the requirements to:

- Set up audit committees or explain why not for certain companies – Section 167;
- Include a directors' compliance statement in the directors' report – Section 225;
- Include gains on exercise of share options in directors' remuneration – Section 305 (1) (b);
- Include amounts paid to connected persons in directors' remuneration – Section 306 (1);
- Include the names of all directors in the directors' report – Section 326 (1) (a); and
- Include a statement on relevant audit information in the directors' report – Section 330.

IAASA observations on selected financial reporting issues

The "Transparency (Directive 2004/109/EC) (Amendment) Regulation 2015 (S.I. No. 44 of 2015)", effective from 9 February 2015, has allowed more flexibility to the Irish Auditing and Accounting Supervisory Authority (IAASA) when publishing its financial reporting decisions. Between December 2015 and March 2016, IAASA published its financial reporting decisions findings in respect of 11 issuers which included instances which IAASA both agreed and disagreed with the treatment applied. The IAASA financial reporting decisions publications are available here: <https://www.iaasa.ie/Publications/FRSU>

During 2015, IAASA undertook 33 (2014: 27) reviews of both annual and semi-annual financial reports. These examinations consisted of "unlimited scope examinations", "focused examinations" and "follow-up examinations".

The outcomes of the 2015 examinations can be read at:

<http://www.iaasa.ie/getmedia/f4bc8dc4-adb2-48a7-9066-2ea-bebbbe95b/Snapshot-fin-rep-activities-2015-26jan16.pdf>

Financial Reporting Council (FRC) developments

FRC published Guidance on the going concern basis of accounting and reporting on solvency and liquidity risks

On 18 April 2016, the FRC published its guidance on the going concern basis of accounting, material uncertainties, solvency and liquidity risk and relevant disclosure requirements for directors of companies that do not apply the UK Corporate Governance Code ("the Code").

The guidance generally applies to the areas of:

- Assessing of the appropriateness of the going concern basis of accounting;
- Disclosure in the financial statements when there are material uncertainties or when the company does not prepare financial statements on a going concern basis of accounting;
- Additional disclosures that may be required to give a true and fair view;
- Other relevant financial statement disclosures; and
- A description of the principal risks and uncertainties facing the company that should be included in the strategic report.

Read the full report here: <https://www.frc.org.uk/Our-Work/Publications/Accounting-and-Reporting-Policy/Guidance-on-the-Going-Concern-Basis-of-Accounting.pdf>

FRC published its review on the role of Engagement Quality Control Reviewer in Audit Quality

On 8 February 2016, the FRC published its thematic review on the work performed by Engagement Quality Control Reviewers ("EQCR") in the audit of financial statements. A sample of 67 audits of financial statements were selected for the year ended between March 2014 and April 2015. The FRC report identified areas where EQCR interaction with

the audit committee could impair the EQCR process. The Audit Committee should appreciate that the EQCR is part of the audit firm's quality control process and is not a member of the audit team. While the EQCR should review copies of the reports sent to the Audit Committee, attendance at the Audit Committee meetings or contact with the Audit Committee could threaten the EQCR's objectivity.

Read the full report here: <https://www.frc.org.uk/Our-Work/Publications/Audit-Quality-Review/Audit-Quality-Thematic-Review-Engagement-Quality.pdf>

FRC published final draft revised UK Corporate Governance Code, Guidance on Audit Committees, and Auditing and Ethical Standards

On the 27 April 2016, the FRC issued its final draft updates to the UK Corporate Governance Code ("the Code") and final drafts of the Auditing and Ethical Standards (collectively "the Standards"). The revised Code and Standards reflect both the FRC's own review and required changes as a result of the EU Regulation (EU/537/2014) and EU Directive (2014/56/EU). As part of the FRC's 2016/19 three year strategic programme, it does not intend to make further changes to the Code or the Standards until at least 2019.

The EU Regulation and Directive both apply with effect from 17 June 2016. As the legislation has not yet been passed into Irish Law, the FRC are currently discussing with the Irish government ways in which the standards may be adopted in the Republic of Ireland.

The FRC has also updated its "Guidance on Audit Committees" from the previous version issued in September 2012. The updated guidance will align with the new requirements for audit committees and changes to the ethical standards for auditors arising out of the changes to the Code and Standards.

Read the full guidance, reports and revised standards here: <https://frc.org.uk/News-and-Events/FRC-Press/Press/2016/April/Revised-UK-Corporate-Governance-Code,-Guidance-on.aspx>

Corporate Governance and Oversight

Central Bank of Ireland

The Central Bank of Ireland (CBI) has increased its focus on corporate governance for regulated entities and, over the past 18 months, has carried out a number of reviews and inspections on the Irish governance model. In November 2015, the CBI issued a guidance paper for Fund Management Companies that addressed the following areas:

- Delegation: The Board of Directors may delegate certain tasks externally, however such delegation does not reduce the Board's ultimate responsibility. There are also limits on the tasks that may be delegated and certain key responsibilities must be retained by the Board.
- Organisational Effectiveness: The Board should appoint an independent director with the responsibility of keeping the effectiveness of the organisational arrangements of the Fund under ongoing review.
- Directors' Time Commitments: The CBI has set out guidance for directors on their aggregate annual time commitments. CBI's risk limit in this regard is any director who has more than 20 directorships and an aggregate professional time commitment in excess of 2,000 hours. Directors under this threshold should also review the guidance taking into consideration the time and complexity of the Investment Funds that they oversee.

Read the full Fund Management Companies guidance paper here: https://www.centralbank.ie/regulation/marketsupdate/Documents/151023_FUND%20MANCOS%20GUIDANCE%20FINAL_DL.pdf

Global Market Exchange

On 4 April 2016, the Irish Stock Exchange (ISE) issued its Global Exchange Market (GEM) Rules for Investment Funds. The rules apply to any listed funds seeking to list their securities on the GEM market or transfer their existing securities from the main Securities Market of the ISE. The GEM does not fall within the

scope of an EU regulated market and will fall outside the requirements of the Transparency Directive and many of the requirements in relation to the EU Audit Directive and Regulation.

The GEM Investment Funds rulebook can be read here: <http://www.ise.ie/Products-Services/Sponsors-and-Advisors/GEM-Rules-for-Investment-Funds.pdf>

Financial services

Directive on Undertakings for Collective Investment in Transferable Securities ("UCITS V")

UCITS V has been implemented in Ireland by the European Union (Collective Investment in Transferable Securities) (Amendment) Regulations 2016 (S.I. 143 2016). The new Regulations amend the principal regulations the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (S.I. No. 352 of 2011). They were published and took effect from 21 March 2016. The legislation introduces new requirements in relation to the role of the depositary, remuneration and sanctions. In addition details of the remuneration policy must be included in the prospectus, the key investor information document ("the KIID") and the annual report.

The Delegated Regulation supplementing UCITS V has been published in the EU's Official Journal and will apply from 13 October 2016. It sets out further details on the UCITS depositary requirements, such as (i) the particulars that need to be included in the written contract between the UCITS management company and the depositary, (ii) the duties of the depositary and (iii) the conditions for performing the depositary functions.

European Securities and Markets Authority ("ESMA") has issued its Guidelines on sound remuneration policies under the UCITS Directive and Alternative Investment Fund Managers Directive ("AIFMD"), which provide some clarity on the requirements under the UCITS V for management companies when establishing and applying a remuneration policy for key staff. The Guidelines will apply to UCITS management

companies and national competent authorities from 1 January 2017.

In April 2016, the Central Bank revised its application forms for new UCITS funds to incorporate changes under UCITS V.

<https://www.centralbank.ie/regulation/industry-sectors/funds/ucits/Pages/forms.aspx>

Markets in Financial Instruments Directive ("MiFID") II

The timeframe for entry into force of MiFID II has been extended. MiFID II was due to take effect on 3 January 2017 but it has been extended by a year to 3 January 2018 to take account of the exceptional technical implementation challenges faced by regulators and market participants. MiFID II introduces changes to investor protection provisions, new market infrastructural measures and it amends authorisation and operating conditions for investment firms. It also introduces both a harmonised regime for granting third country firms access to EU markets and a harmonised administrative sanctions regime.

The timeline for adoption of the level 2 implementing measures under MiFID II is still unknown. ESMA is mandated to develop a large number of Regulatory Trading Standards (RTS) and Implementing Technical Standards (ITS), final drafts of most of which were submitted to the Commission in 2015. Level 2 measures in relation to product governance, inducements and organisational requirements have been adopted but there are a considerable number of measures which still need to be agreed by the European Commission.

Securities Financing Transaction Regulation

The Regulation on Transparency of Securities Financing Transactions ("SFTR") entered the Official Journal in November 2015 and applies from 12 January 2016. This new law aims to improve the transparency of securities financing transactions in the shadow banking sector and to identify the risks associated with these financial transactions, as well as their magnitude.

The Regulation enhances transparency in three ways:

- It introduces the reporting of all SFTs, except those concluded with central banks, to central databases known as trade repositories. Depending on how they are categorised, firms should start reporting at different stages from 12 to 21 months after the entry into force of the relevant regulatory technical standards;
- Investment funds will have to start disclosing information on the use of SFTs and total return swaps to investors in their regular reports and in their pre-contractual documents from the entry into force of the Regulation. Existing funds will have 18 months to amend their pre-contractual documents; and
- The Regulation introduces some minimum transparency conditions that should be met on the reuse of collateral, such as disclosure of the risks and the need to grant prior consent. These will apply 6 months after the entry into force of the Regulation.

European Market Infrastructure Regulation ("EMIR")

The Joint Committee of the European Supervisory Authorities (EBA, EIOPA, ESMA - ESAs) have published the final draft Regulatory Technical Standard (RTS) covering the risk mitigation techniques related to the exchange of collateral to cover exposures arising from non-centrally cleared over-the-counter (OTC) derivatives. The draft RTS prescribe (inter alia) the regulatory amount of initial and variation margins to be posted and collected and the methodologies by which that minimum amount should be calculated. The new rules will become effective for all counterparties (including non-financial counterparties) who engage in trading over-the-counter derivatives on a phased-in basis, dependent on the notional amount of non-centrally cleared trades for both counterparties: 1 September 2016 to 1 March 2017 for variation margin, and a staggered four-year phase in from 1 September 2016 to 1 September 2020 for initial margin.

Other level 2 measures, covering the clearing of certain interest rate and credit default derivatives have been adopted, with the clearing being

introduced on a phased basis over three years from June 2016 onwards.

European Long Term Investment Fund ("ELTIF")

As of 9 December 2015, the ELTIF regime has come into effect offering the latest European fund vehicle. ELTIFs are a new regulated European fund brand designed for investing in companies and projects that need long-term capital. They offer investment for both retail and non-retail investors and are permitted to operate a cross-border EU sales passport. A primary impetus behind the introduction of ELTIFs is the creation of an alternative funding source for long term projects, and supporting the take up of ELTIFs has been identified by the European Commission as a priority work area within the Capital Markets Union project.

Only an EU alternative investment fund ("AIF") may be authorised as an ELTIF, and an ELTIF manager must comply with the requirements of the AIFMD. A key distinction between the AIFMD and the ELTIF framework is that, unlike AIFs managed by AIFMs, ELTIFs can be marketed to retail investors using a pan-European passport.

ELTIF application forms are now available from the Central Bank of Ireland: [https://www.centralbank.ie/regulation/industry-sectors/funds/Pages/IntroductiontoEuropeanLong-TermInvestmentFunds\(%E2%80%98ELTIFs%E2%80%99\).aspx](https://www.centralbank.ie/regulation/industry-sectors/funds/Pages/IntroductiontoEuropeanLong-TermInvestmentFunds(%E2%80%98ELTIFs%E2%80%99).aspx)

Delay in implementation of the Investor Money Regulations

The Investor Money Regulations, which for the first time, impose requirements on fund service providers holding investor money in collection accounts, will take effect in Ireland from 1 July 2016. The time-frame for implementation was initially meant to be 1 April 2016, but this was pushed back by three months to allow fund service providers more time to meet the new rules.

Banking

BCBS – Basel Committee on Banking Supervision

Much attention has focused on regulatory efforts to strengthen the risk weighted asset ratio for banks by raising both the quality and

quantity of capital. With that work now largely completed, the Committee has turned its attention to bringing increased simplicity, comparability and risk sensitivity to the risk based capital framework. The Committee is consulting on changes to credit risk, operational risk, market risk and capital floors, looking in particular at the use of internal models.

The Committee has also published effective risk data aggregation and risk reporting principles (BCBS 239). Institutions deemed to be globally significant should be in compliance with these principles since 1 January 2016, but this has proved to be challenging.

Deposit Guarantee Scheme

A new EU Directive on Deposit Guarantee Schemes (2014/49/EU) has been transposed into Irish law, by the European Union (Deposit Guarantee Schemes) Regulations S.I. 516 of 2015. The new rules are aimed at the harmonisation and simplification of protected deposits and a faster pay-out and improved financing of DGS schemes. In addition, new depositor information requirements have been introduced in order to ensure that depositors are aware of the key aspects of protection of their deposits by the DGS. The current maximum protection level of €100,000 per person per credit institution is unchanged.

Insurance - Solvency II

In Ireland, the Solvency II regime has been given legal effect by secondary legislation in the form of Statutory Instrument namely, the European Communities (Insurance and Reinsurance) Regulations 2015 (the "2015 Regulations"). The Solvency II regime was fully implemented on 1 January 2016.

The Regulation can be read here: <http://www.irishstatutebook.ie/eli/2015/si/485/made/en/pdf>

Central Bank consultations

CP102 Consultation on New Methodology to Calculate Funding Levies for Retail Intermediaries

CP 101 Consultation on a Capital Requirement Framework for Market Operators

Financial reporting update



This section provides an overview of the key developments in FRS 101, FRS 102 and IFRS since our last edition.

Overview

Since our last edition of ACQ in October 2015, the Financial Reporting Council (FRC) has issued a limited amendment to FRS 102 for fair value hierarchy disclosures of financial institutions and retirement benefit plans. The FRC has not issued any amendments to FRS 101. The FRC continues to review and progress ongoing projects in relation to FRS 101 and FRS 102 as outlined below.

The most significant development in IFRS since the last edition of ACQ has come with the release of the final standard on lease accounting IFRS 16 Leases. IFRS 16 is mandatorily effective under IASB IFRS for accounting periods beginning on or after 1 January 2019, therefore entities can now begin to assess the impact that the new standard may have on the presentation of their financial statements.

FRC Accounting standards – FRS 101, FRS 102

Amendments to FRS 102 – Fair value hierarchy disclosures

In March 2016, the FRC issued amendments to FRS 102 - fair value hierarchy disclosures. The amendments apply only to financial institutions and retirement benefit plans and simplify the presentation and disclosure of financial instruments. The amendments increase the consistency of FRS 102 with the financial instruments disclosures of IFRS as adopted by the EU (EU IFRS) by changing the levelling disclosures from A, B, C to Level 1, 2, 3 and updating the descriptions of the fair value hierarchy to align to EU IFRS.

The amendments are effective for financial institutions and retirement benefit plans for accounting periods beginning on or after 1 January 2017 with early application permitted. If the amendments are early applied, this needs to be disclosed in the financial statements.

For further information, please access the following link on the FRC website:

<https://frc.org.uk/Our-Work/Publications/Accounting-and-Reporting-Policy/Amendments-to-FRS-102-Fair-value-hierarchy.aspx>

Ongoing FRC Projects

The FRC has a number of ongoing projects in respect of new UK and Irish GAAP which are set out below.

Project	Status
FRED 63 Draft amendments to FRS 101 – 2015/2016 Cycle was issued on 11 December 2015.	<p>FRED 63 proposes limited amendments to FRS 101 to:</p> <ul style="list-style-type: none"> (i) provide certain disclosure exemptions from IFRS 15 Revenue from Contracts with Customers – the second sentence of paragraph 110 and paragraphs 113 to 115, 118 to 127 & 129; and (ii) provide clarification of a legal requirement relating to the order in which the notes to the financial statements should appear. The amendment clarifies that the notes should appear in the order in which the items that they relate to are presented in the statement of financial position and income statement.
FRED 64 Draft amendments to FRS 103 Insurance Contracts – Solvency II was issued on 11 December 2015.	<p>FRED 64 proposes amendments to FRS 103 to update the terminology and definitions used for changes occurring in the regulatory framework as a result of the implementation of Solvency II. The main changes that have been made are:</p> <ul style="list-style-type: none"> (i) References to the PRA realistic capital regime and the Prudential Sourcebook for insurers are replaced with the commencement of Solvency II; (ii) Clarifications that entities are not required to change their accounting policies and are permitted to continue to apply existing accounting practice in their financial statements under Solvency II. <p>An entity shall apply these amendments for accounting periods ending on or after 1 January 2016.</p>
Issues arising from the implementation of FRS 102.	<p>It has been announced that the Accounting Council and its UK GAAP Technical Advisory Group will perform reviews of any issues arising relating to the implementation of FRS 102 as the issues arise. The first review will take place in 2016/2017 with a revised FRS 102 expected to be made effective in 2018.</p> <p>Decisions about the best way to address issues such as editorial points; areas where FRS 102 is silent; and areas where divergent accounting practice seems to be emerging in practice etc. will be taken on a case-by-case basis.</p>

Further detail on the ongoing projects being undertaken by the FRC can be accessed at the following address:
<https://www.frc.org.uk/Our-Work/Codes-Standards/Accounting-and-Reporting-Policy/The-future-of-UK-GAAP/On-going-Projects.aspx>

IASB activity

New IFRS standards and amendments

The following new IFRS standards and amendments were published by the IASB since our last update:

Standard or amendment	Issued date	Effective date
IFRS 16 Leases	January 2016	1 January 2019*
Amendments to IAS 12 Recognition of deferred tax assets for unrealised losses	January 2016	1 January 2017
Amendments to IAS 7 Disclosure initiative	January 2016	1 January 2017
Clarifications to IFRS 15 Revenue from contracts with customers: issues emerging from TRG discussions	April 2016	1 January 2018

*Please note that this amendment has not yet been endorsed for use by IFRS as adopted by the EU.

KPMG has issued publications and further guidance on IFRS 16 which are available at the following link:

<https://home.kpmg.com/xx/en/home/insights/2016/01/leases-new-standard-balance-sheet-transparency-slideshare-first-impressions-ifrs16-130116.html>

KPMG has issued publications and further guidance regarding the amendments to IAS 12 which are available at the link below:

<https://home.kpmg.com/xx/en/home/insights/2016/01/ifrs-deferred-tax-assets-unrealised-losses-amendments-ias12-290116.html>

KPMG has issued publications and further guidance regarding the amendments to IAS 7 which are available at the link below:

<https://home.kpmg.com/xx/en/home/insights/2016/02/disclosure-initiative-changes-financing-liabilities-ias7-amendments-120216.html>

IASB has released a press release and related guidance on the recent publications of the clarifications to IFRS 15 which are available at the link below:

<http://www.ifrs.org/Current-Projects/IASB-Projects/Clarifications-IFRS-15-Issues-from-TRG-discussions/Pages/default.aspx>

New IFRSs and narrow scope amendments

The following IFRSs and narrow scope amendments to IFRSs are expected to be released as follows:

IFRSs and narrow scope amendments	2016 Q2	2016 Q4	2017 Q1
Clarifications to IFRS 15 Revenue from Contracts with Customers: Issues emerging from TRG discussions	✓		
Proposed Amendments to IFRS 2: Clarifications of Classification and Measurement of Share Based Payment Transactions		✓	
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts		✓	
Insurance contracts		✓	
Proposed amendments to IAS 1: Classification of liabilities			✓

For further information, please see the following publications:

- IASB press release and related publications on the IASB's proposed amendments to IFRS 2 are available at the following link:

<http://www.ifrs.org/Current-Projects/IASB-Projects/IFRS-2-Clarifications-Classification-and-Measurement/Pages/Home.aspx>

- IASB press release and related publications on the amendments to IFRS 4 are available at the following link:

<http://www.ifrs.org/Current-Projects/IASB-Projects/Different-effective-dates-of-IFRS-9-Financial-Instruments-and-the-new-insurance-contracts-Standard/Pages/default.aspx>

- KPMG IFRS Insurance site – provides an overview of the IASB's development of an insurance contracts standard which is expected to be issued in Q4 2016.

<https://home.kpmg.com/xx/en/home/services/audit/international-financial-reporting-standards/insurers.html>

- IASB press release and related publications on the new insurance standard are available at the following link:

<http://www.ifrs.org/Current-Projects/IASB-Projects/Insurance-Contracts/Pages/Insurance-Contracts.aspx>

- IASB press release and related publications on the proposed amendments to IAS 1 for the classification of liabilities is available at the following link:

<http://www.ifrs.org/Current-Projects/IASB-Projects/IAS-1-classification-liabilities/Pages/IAS-1-classification-liabilities.aspx>

IASB exposure drafts

The following exposure drafts were published by the IASB during the period since our last edition:

- Exposure Draft: Disclosure initiative – materiality practice statement. The draft practice statement is not a standard but is non-mandatory guidance developed by the IASB. It proposes guidance to help management apply the concept of materiality to assist them in using their judgement about what should be presented and disclosed in the financial statements in accordance with IFRS.
- Exposure Draft: Narrow scope amendments for investment property – transfers of investment property (IAS 40). The proposed amendments are designed to clarify the application of paragraph 57 of IAS 40 which provides guidance on transfers to, or from, investment property. The amendments reinforce that a transfer into, or out of investment property should only be made when there has been a change in use of the property, and is appropriately supported by evidence that the property qualifies as investment property.
- Exposure Draft: Annual Improvements Cycle 2014 – 2016. The IASB issued this exposure draft in November 2015 to propose amendments to IFRS 1 First-time adoption of International Financial Reporting Standards, IFRS 12 Disclosure of interests in other entities and IAS 28 Investment in Associates and Joint Ventures. The proposed amendments to each of these standards are as follows:

(i)	IFRS 1	Deletion of short term transition exemptions in relation to financial instruments, employee benefits and investments entities for first time adopters.
(ii)	IFRS 12	Clarification of the scope of the disclosure requirements of IFRS 12.
(iii)	IAS 28	Clarification that measuring investees at fair value through profit or loss on an investment is available for each investment on an investment by investment basis.

For further information, please see the following publications:

- IASB press release and further guidance regarding the materiality practice statement is available at the following link:

<http://www.ifrs.org/Current-Projects/IASB-Projects/Disclosure-Initiative/Materiality/Pages/Home.aspx>

- IASB press release and further guidance regarding the narrow scope amendment to IAS 40 is available at the following link:

<http://www.ifrs.org/Current-Projects/IASB-Projects/Investment-Property-under-construct-inventory-investment-change-in-use/Pages/home.aspx>

- IASB press release and further guidance regarding the Annual Improvements Cycle 2014 to 2016 is available at the following link:

<http://www.ifrs.org/Current-Projects/IASB-Projects/Annual-Improvements/Pages/Annual-Improvements-2014-landing.aspx>

Further exposure drafts expected are as follows:

Exposure draft	2016 Q2	2016 Q3	2016 Q4
Definition of a business	✓		
Remeasurement of previously held interests – obtaining control or joint control in a joint operation that constitutes a business (proposed amendments to IFRS 3 and IFRS 11)	✓		
Clarifications arising from the post implementation review (amendments to IFRS 8)		✓	
Disclosure initiative: Changes in accounting policies and estimates			✓

Further information on these projects is available on the IASB website at:

<http://www.ifrs.org/Current-Projects/IASB-Projects/Pages/IASB-Work-Plan.aspx>

Newly-effective IFRSs

IFRSs as adopted by the EU for 30 June 2016 year ends

For those companies which have adopted IFRSs as adopted by the European Union with a 30 June 2016 year end, the following will apply for the first time in their annual financial statements:

- Annual Improvements to IFRSs 2011 – 2013 Cycle;
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions; and
- Annual Improvements to IFRSs 2010 – 2012 Cycle.

IFRSs as adopted by the EU for 30 September 2016 year ends

For those companies which have adopted IFRSs as adopted by the European Union with a 30 September 2016 year end, the following will apply for the first time in their annual financial statements:

- Annual Improvements to IFRSs 2011-2013 Cycle;
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19); and

- Annual Improvements to IFRSs 2010–2012 Cycle – various standards.

IFRSs as adopted by the EU for 30 June 2016 interim financial statements

For those companies which are preparing their interim financial statements for the 6 month period ended 30 June 2016 i.e. annual periods beginning on or after 1 January 2016, the following will apply for the first time in their interim financial statements:

- Amendments to IFRS 11: Accounting for acquisitions of interests in Joint Operations;
- Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation;
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Bearer Plants;
- Amendments to IAS 27 Equity method in Separate Financial Statements;
- Amendments to IAS 1: Disclosure Initiative; and
- Annual Improvements to IFRSs 2012-2014 Cycle.

IASB IFRSs

Newly effective IASB IFRSs

A KPMG publication providing an overview of newly-effective IASB IFRSs, which is updated on a quarterly basis, is available at the following link:

<https://home.kpmg.com/xx/en/home/insights/2015/07/new-standards-are-you-ready-ifrs.html>

IASB IFRS for 30 June 2016 interim financial statements

For those companies which are preparing their interim financial statements for the 6 month period ended 30 June 2016 i.e. annual periods beginning on or after 1 January 2016 under IASB IFRS, the following will apply for the first time in their interim financial statements:

- Amendments to IFRS 11: Accounting for acquisitions of interests in Joint Operations;
- Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation;
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Bearer Plants;
- Amendments to IAS 27 Equity method in Separate Financial Statements;
- Amendments to IAS 1: Disclosure Initiative;
- Annual Improvements to IFRSs 2012-2014 Cycle;
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment entities - Applying the consolidation exception; and
- IFRS 14 Regulatory Deferral Accounts.

Events

Throughout the year the Audit Committee Institute hosts a number of informative seminars and training sessions.



Pictured at Directors' Roles and Responsibilities and Directors' Compliance Statements Breakfast Seminar - from left was Eamon Richardson, Partner KPMG, Laura Heuston, Director of Taxation, John O'Shea, Director of Legal Services and David Meagher, Chairman ACI

Breakfast seminar

"Directors' roles and responsibilities and Directors' compliance statements", hosted by the Audit Committee Institute, took place on 26 April 2016 at The Conrad Hotel, Earlsfort Terrace, in Dublin. Eamonn Richardson of KPMG's Restructuring Practice outlined lessons from the crisis with respect to Directors' roles and responsibilities. John O'Shea and Laura Heuston of KPMG's Legal and Tax Practices provided an overview of new Companies Act 2014 requirements in relation to Directors' compliance statements.

Upcoming event(s)

Check out the Audit Committee Institute events page at: <http://www.kpmg.ie/aci/events.htm>, and KPMG events page at: www.kpmg.ie/events to book onto relevant events.

Audit Committee Handbook

The Audit Committee Institute launched an updated version of the Audit Committee Handbook in late 2013. This publication, written for both the Irish public and private sectors, highlights the Audit Committee's role and provides guidance to help Audit Committees gain a better understanding of the processes and practices that help create effective Audit Committees. The guide is designed to be an easy reference guide to a range of topics from the Irish regulatory landscape to the duties of audit committees and communications with shareholders. The guide is available for download at <http://www.audit-committeeinstitute.ie/audit-committee-handbook.htm>. Word versions of the various questionnaires, and other appendices, which can be customised to the companies specific circumstances are also included.

ACI Publications since Quarterly 30

Seeing far and seeing wide: moving toward a visionary board - May 2016 at: <https://boardleadership.kpmg.us/content/dam/blc/pdfs/2016/seeing-far-and-wide-moving-toward-a-visionary-board.pdf>

Building a great board - May 2016 at: <http://www.kpmg.ie/aci/documents/aci-building-a-great-board.pdf>

Directors' Compliance Statement – April 2016 at: <https://www.kpmg.com/IE/en/IssuesAndInsights/ArticlesPublications/Documents/ie-directors-compliance-statement-2.pdf>

Viability Statements - March 2016 at: <http://www.kpmg.ie/aci/documents/viability-statements-dec-2015.pdf>

On the 2016 Board Agenda - January 2016 at: <http://www.kpmg.ie/aci/documents/aci-board-agenda-jan-16.pdf>

On the 2016 Audit Committee Agenda - January 2016 at: <http://www.kpmg.ie/aci/documents/aci-agenda-jan-16.pdf>

Director's Compliance Statement - January 2016 at: <http://www.kpmg.ie/aci/documents/aci-directors-compliance-statement-jan-16.pdf>

Viability statements: Five things we have learned - January 2016 at: <http://kpmg.ie/aci/documents/5-things-we-have-learned.pdf>



Pictured at Directors' Roles and Responsibilities and Directors' Compliance Statements Breakfast Seminar - from left was Karen Lynn, Kevin Cohen and James McKenna



Pictured at Directors' Roles and Responsibilities and Directors' Compliance Statements Breakfast Seminar - from left was Laurence K. Shields and Conall O'Halloran

Let us know what you think

We are always grateful for feedback regarding topics for breakfast seminars, roundtables and Quarterly.

Let us know what you would like covered by phoning us at +353 (1) 410 1160 or e-mailing us at aci@kpmg.ie.

Events

For details of future events go to www.kpmg.ie/aci.

Training certificate

If you wish to receive a training certificate in relation to attendance at the ACI events, please e-mail us at aci@kpmg.ie or phone us at +353 (1) 410 1160.

ACI International

The Audit Committee Institute, sponsored by KPMG, is an international initiative with thousands of members sharing resources across borders. A list of affiliated sites is available at <http://www.kpmg.ie/aci/aci-international-sites.htm>.

Many members of ACI in Ireland are board members of international companies, or often spent a significant amount of time in other jurisdictions. Please feel free to follow the links of our affiliated members in order to register for publications from or events in their countries.

For ease of reference registration for ACI UK can be achieved by emailing auditcommittee@kpmg.co.uk. Registration for ACI US can be achieved by following the instructions at <http://www.kpmg-institutes.com/content/kpmg-event-management/registration.html>.

Contact us

If you have feedback on this issue or would like to suggest a topic for a future edition, please contact:

David Meagher
Chairman
Audit Committee Institute Ireland
Partner Audit
KPMG in Ireland

Tel: +353 1 410 1847
e-Mail: david.meagher@kpmg.ie

Audit Committee Institute Ireland
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

Tel: +353 1 410 1160
Email: aci@kpmg.ie
www.kpmg.ie/aci

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2016 KPMG, an Irish partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in Ireland.

KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative ("KPMG International"), a Swiss entity.

If you've received this publication directly from KPMG, it is because we hold your name and company details for the purpose of keeping you informed on a range of business issues and the services we provide. If you would like us to delete this information from our records and would prefer not to receive any further updates from us please contact us at (01) 700 4017 or e-mail andrea.brown@kpmg.ie.

Produced by: KPMG's Creative Services. Publication Date: May 2016. (1844)