



Update from Advisory Services, ACCA Ireland

technically speaking

insurance broker audits

IFSRA has confirmed that the requirements to report to the financial regulator under the Central Bank and Financial Services Authority of Ireland Act 2004 apply to insurance brokers.

In summary, any management letter sent to an insurance broker client should be copied to the financial regulator and where no management letter is issued a 'nil return' should be made. Example wordings and further guidance can be viewed online at http://ireland.accaglobal.com/pubs/ireland/members/tech_info/auditing/reporting_fin.pdf.

struck off companies

It has been reported that CRO are taking a few high court actions against companies that fail to file ARs and subsequently get struck off. The idea is that they will get a high court judge to make an order compelling a director to get their filing up to date. The order is against the director not the company, so there is no walking away from your obligations. An expensive day out in the high court, a couple of expensive audits and late filing fees, potentially a report on not keeping proper books of account or any of the other 300 or so indictable offences and then potentially a second day in court courtesy of the ODCE and then a creditors voluntary liquidation. There is not going to be much change from €40,000.

Charities Bill 2007

As one of the last political acts prior to the election, the then Minister for Community, Rural and Gaeltacht Affairs, Eamon O'Cuiv, published the Charities Bill 2007. The CCABI Business Law Committee will be reviewing the Bill shortly and if you would like to feed any comments through to the Committee please e-mail aidan.clifford.ie.accaglobal.com. View the bill online at www.oir.ie.

commercial bank loans

Some banks are not increasing the repayments of commercial loans even though interest rates have gone up. In effect they are extending the period of the loan. While some clients may be happy to have this happen, others may not. Banks appear to be happy to lengthen the period of the loan as it generates more interest income for them. If this applies to you then my advice is to take this up with your bank.

credit union auditors (1)

At a recent meeting with Brendan Logue, the Registrar of Credit Unions, a number of the risk areas in credit union audits were discussed.

On a general note, it was recognised that compliance with the requirements of the Credit Union Act can be contrary to Generally Accepted Accounting Practice (GAAP). GAAP has moved progressively towards 'fair value' accounting in standards

such as FRS 25 and 26 (IAS 32 and 39) but the Credit Union Act refers to the older concepts of realised gains and losses. The issue is over the difference between 'realised' and 'recognised' and what exactly 'realised' in the context of some investment products means.

It is also recognised that there is a lack of consistency and transparency in the financial statements for credit unions. For example 'income is recognised on an accruals basis' is simply not sufficient to describe how you account for perpetual bonds or with profit bonds with large terminal bonuses.

credit union auditors (2)

Recent correspondence from IFSRA requested credit unions to carry out a review of the valuation methods adopted for investments held, including perpetual bonds, in order to be satisfied that such investments have been accounted for appropriately (including the recognition of unrealised gains and losses).

The Registrar's letter envisages that credit unions will seek professional accounting advice in carrying out their review. Guidance on accepting this assignment is available on ACCA Ireland's website at http://ireland.accaglobal.com/ireland/members/tech_info/ccabi.

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