

GLOSSARY OF TERMS

IRELAND

Recognised Bodies Section 191(3) of the Companies Act, 1990 empowers the Minister for Enterprise, Trade and Employment to recognise a body of accountants to qualify and regulate its members as auditors. There are six accountancy bodies currently recognised as follows:

- the Institute of Chartered Accountants in Ireland (ICAI);
- the Institute of Certified Public Accountants in Ireland (ICPAI);
- the Association of Chartered Certified Accountants (ACCA);
- the Institute of Incorporated Public Accountants Ltd (IIPA);
- the Institute of Chartered Accountants in England and Wales (ICAEW);
- the Institute of Chartered Accountants of Scotland (ICAS).

CCAB-I The Consultative Committee of Accountancy Bodies in Ireland is an umbrella body for the accountancy profession. The members of the CCAB are:

- Institute of Chartered Accountants in Ireland;
- Institute of Certified Public Accountants in Ireland;
- Association of Chartered Certified Accountants;
- Chartered Institute of Management Accountants (CIMA). *(A body not recognised by the Department of Enterprise, Trade and Employment for the qualification and regulation of auditors.)*

The ICAI chairs the CCAB-I which provides a forum for co-operation between recognised bodies on a number of joint committees namely:

- Accounting Standards; Consultative Committee;
- Business Law Committee;
- Taxation Committee;
- Insolvency Committee;

- Ryan Report** Report of the Commission of Inquiry into the Expectation of Users of Published Financial Statements (January 1992). The Commission was established by the Institute of Chartered Accountants in Ireland. The Commission comprised representatives from industry, the Stock Exchange, financial institutions, universities and the ICAI.
- CLRG** The Company Law Review Group was established in 1994 by the Minister for Enterprise and Employment to consider aspects of Irish company law including examinership, investigations, insider dealing and provisions relating to restrictions on directors and the recommendations of the Ryan Commission on Financial Reporting. The Group reported in December 1994. Its membership included representatives of the accountancy and legal professions, the financial services industry, trade unions, industry and Government.
- The Company Law Review Group has recently been re-established by the Tánaiste and is currently working on a two year work programme covering items such as simplification of company law for SMEs and licensing of insolvency practitioners.
- ODCE** Office of the Director of Corporate Enforcement which is a new office to be established by legislation (Company Law Enforcement Bill published on the 3 July 2000). It will be responsible for the enforcement of company law in Ireland and will take over the functions of the Minister for Enterprise, Trade and Employment in the area.
- Big Five** The Big Five means the following accountancy firms: KPMG, Arthur Andersen, PricewaterhouseCoopers, Deloitte & Touche, and Ernst & Young.

UNITED KINGDOM

CCAB

Consultative Committee of Accountancy Bodies. The CCAB is an umbrella body for the accountancy professional bodies and oversees the following:

- CCAB - Ethics Liaison Committee;
- Ownership of the Auditing Practices Board, although this is due to change with the introduction of the Foundation for a new independent regulatory framework in the UK;
- Discussion of policy matters.

In addition to recognised accountancy bodies (see below) CIMA (Chartered Institute of Management Accountants) and CIPFA (Chartered Institute of Public Finance Accountants) are also members of the CCAB but are not recognised under the UK Companies Acts to supervise their members' audit work.

APB

Auditing Practices Board: Established in 1991 by the Consultative Committee of Accountancy Bodies in the UK to advance standards of auditing in the UK and Ireland and to provide a framework for the operation of the auditors role. Standards and practices and revisions thereto are notified to members of the recognised accountancy bodies on a regular basis. APB comprises auditing practitioners and non-practitioners in equal numbers together with a number of non-voting observers, e.g. representatives of the Department of Trade and Industry and of the Department of Enterprise, Trade and Employment. APB is funded by the accountancy profession. The APB will become part of the Foundation under the new UK regulatory arrangements (see Foundation below).

Cadbury Report

Report of the Committee, set up in 1991 by the Financial Reporting Council, the London Stock Exchange and the accountancy profession, on "The Financial Aspects of Corporate Governance". The Committee was chaired by Sir Adrian Cadbury. Membership consisted of accountancy and legal professions, industry, financial services, London stock exchange and the UK Government.

Greenbury Report	Report of a Study Group chaired by Sir Richard Greenbury on Directors' Remuneration which was set up on the initiative of the Confederation of British Industry in 1995. Membership consisted of industry (mainly large PLCs), including the investment industry.
Hampel Report	The Committee on Corporate Governance under the Chairmanship of Sir Ronald Hampel (Chairman, ICI PLC) was established in 1995 on the initiative of the Financial Reporting Council (see below) to review the implementation of the findings of the Cadbury and Greenbury Committees. The Committee's sponsors were the London Stock Exchange, the Confederation of British Industry, the Institute of Directors, the CCAB, the National Association of Pension Funds and the Association of British Insurers. The Committee published its final report in 1998.
Combined Code	The Combined Code on Corporate Governance, which was published in June 1998, sets out the most recent best practice in relation to corporate governance structures that apply in the UK and Ireland. The Combined Code is derived, by the Committee on Corporate Governance, from its own report (Hampel) and from the Cadbury and Greenbury Reports.
FRC	Financial Reporting Council is a representative body drawn from industry and commerce, the UK Government and the profession. FRC provides support and broad policy guidance to the Financial Reporting Review Panel and the Accounting Standards Board. The three bodies are supported and funded jointly by the Government, the accountancy profession (through the CCAB) and the City (the London Stock Exchange together with the banking and investment community).
FRRP	Financial Reporting Review Panel is a subsidiary of FRC but is independent in exercising its functions. It examines apparent departures from accounting requirements of the UK Companies Act, 1985, including applicable accounting standards, and if necessary seeks an order from the Courts to remedy them. The Panel's ambit is public and large private companies.

ASB

Accounting Standards Board makes, amends and withdraws accounting standards and is a subsidiary of the FRC but is independent in exercising its functions.

The Foundation

A new framework of independent regulation for the accountancy and auditing profession is due to be implemented in the course of 2000. This framework is being introduced on a non-statutory basis using the existing powers of the professional bodies. The control of members' qualifications, registration and primary control for routine investigation and disciplinary matters will remain with the accountancy bodies.

The Foundation will have eight members which will not include any practising accountants. Members of the Foundation will be appointed by outside institutions and representative bodies with the closest interest in the regulation of the accountancy profession. The Central Bank of Ireland has a nominee on the Foundation.

The Foundation will establish three new boards, (i.e. Ethics Standards Board (ESB), Auditing Practices Board (APB) and Investigation and Discipline Board (IDB)) each with 60% representation independent of the accountancy profession. The Boards will be owned by the Foundation. The Foundation will also establish a Review Board of which one member may be a practising accountant but not a partner or employee of a firm of accountants. The Review Board will oversee the work of the new Boards and the other regulatory functions which remain with the accountancy bodies. The Review Board is to be chaired by the Comptroller and Auditor General in Britain.

The Foundation will be funded by the professional bodies.

Professional Accountancy Bodies	<p>Under the UK Companies Act 1989, a number of bodies are recognised to supervise their members for audit work (Recognised Supervisory Bodies).</p> <p>These are:</p> <p>ACCA: Association of Chartered Certified Accountants</p> <p>ICAEW: Institute of Chartered Accountants in England and Wales</p> <p>ICAI: Institute of Chartered Accountants in Ireland</p> <p>ICAS: Institute of Chartered Accountants in Scotland</p> <p>AAPA: Association of Authorised Public Accountants</p>
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PROFESSIONAL STANDARDS

Accounting Standards Accounting standards are authoritative statements of how particular types of transaction and other events should be reflected in financial statements. Standards give guidance on how professional judgement should be applied to a particular situation. Standards used by accountants are developed by the Accountancy Standards Board established in the UK in 1990. Standards are developed in line with UK Company Law. There is no recognition in Irish company law of these standards. The accountancy bodies here do have the right, either through the CCAB-I or individually, to comment on "Discussion Drafts" of proposed accounting standards (Financial Reporting Statements (FRS)) and to influence them at that stage of preparation.

Auditing Standards Auditing standards (SASs) are the basic principles and essential procedures with which auditors are required to comply with in the conduct of any audit of financial statements. APB (a sub-committee of CCAB) are responsible for setting standards for UK and Ireland. SASs include explanatory and other material which, rather than being prescriptive, are designed to assist auditors in interpreting and applying auditing standards

Practice Notes Practice Notes assist in applying Auditing Standards of general application to particular circumstances and industries.

Ethical Guidelines Provide guidance to auditors on specific matters which have been approved for issue by the Councils of the accountancy bodies on how an audit is carried out. Most professional bodies set their own ethical standards.

EUROPE

FEE Fédération Des Experts Comptables Européens is the representative organisation for the accountancy profession in Europe, grouping together the leading Institutes in 26 countries with a combined membership of over 400,000 individuals of which approximately 45% are in public practice. There is Irish representation through the professional accountancy bodies. FEE has working parties on auditing, ethics, accounting, banking and insurance.

EU Committee on Auditing The EU Committee on Auditing, chaired by the Commission (Internal Market DG) was established in 1998. It meets two or three times a year. It is a platform where statutory audit regulators from the 15 Member States and the 3 countries of the European Economic Area, together with representatives of the audit profession, FEE, the internal auditors and the European representatives of the large audit firms, deal with statutory audit matters. Its overall objective is to develop a common view on statutory audit at EU level, in particular for matters that are not covered by existing EU legislation; the Eight Directive. It is a sub-committee of the Contact Committee (see below).

EU Contact Committee on the Accounting Directives (Contact Committee) The Contact Committee is an advisory body composed of representatives of the Member States and representatives of the Commission. It was set up by the Commission in accordance with the requirements contained in Article 52 of Directive 78/660/EEC (4th Directive). The functions of the Contact Committee are:

- to facilitate harmonised application of the Accounting Directives through regular meetings dealing in particular with practical problems arising in connection with their application;
- to advise the Commission, if necessary, on additions or amendments to the Accounting Directives.

EU Accountancy Technical Sub-Committee	<p>The Accountancy Technical Sub-Committee is a sub committee of the Contact Committee and meets regularly to discuss matters particularly relating to International Accounting Standards.</p>
EU Directives	<p>Unlike EU Regulations which have direct effect, EU Directives specify the objectives to be achieved and requires that each Member State should enact the necessary laws and regulations to make the Directive's provisions binding in its country. A number of Directives have been issued in relation to company law. The Fourth, Seventh and Eight Directives are of particular relevance to accounting/auditing.</p>
EU Fourth & Seventh Directives	<p>The Fourth Directive deals with the annual accounts of individual companies and the Seventh Directive deals with consolidated accounts. Both Directives set out in detail the rules to be followed for the preparation of financial statements, particularly in relation to formats, valuation and disclosure.</p>
EU Eight Directive	<p>Eight Council Directive 84/253/EEC: The objective of the Eight Directive is to complete the series of Directives concerning company accounts, defining the qualifications of persons responsible for carrying out the statutory audits of the accounting documents required by the Fourth and Seventh Directives.</p> <p>The Directive applies to persons responsible for carrying out statutory audits of the annual accounts of companies and firms and verifying that the annual reports are consistent with those annual accounts in so far as such audits and such verification are required by Community law.</p>

**EU Green Paper
on Auditing**

A Green Paper on the Role, Position and Liability of the Statutory Auditor in the European Union was issued by the European Commission in 1996.

The Green Paper addresses the following issues:

- the role of the statutory auditor in determining *inter alia* the accuracy of financial statements, company solvency, the existence of fraud, respect by the company of legal obligations and responsibilities to the environment and society;
- the contents of the audit report;
- the independence of the auditor;
- rules on the appointment and dismissal of the auditor;
- the level of the audit fee;
- the auditing of small companies and groups of companies;
- whether the liability of the statutory auditor should be limited;
- application to the auditing profession of Community rules on freedom of establishment and freedom to provide services.

USA**SEC**

The Securities and Exchange Commission is the primary overseer and regulator of the US securities markets. The SEC has statutory authority to establish financial accounting and reporting standards for Publicly Listed Companies (PLCs) under the Securities Exchange Act of 1934

OTHER INTERNATIONAL TERMS

- IASC** The International Accounting Standards Committee was set up by the accountancy profession in 1973. Its membership currently numbers 143 professional accountancy bodies in 104 countries. IASC is the recognised body for the development of international accounting standards. It works closely with the national standard setting bodies, inter-governmental organisations and development agencies. The IASC's principal function is to issue standards, known as International Accounting Standards (IASs). The IASC is currently being re-structured in order to allow it better meet the need for accounting standards that can be accepted in most areas of the world.
- IFAC** The International Federation of Accountants is a world-wide representative body for accountants and is based in New York. The world-wide accountancy profession, including Irish professional bodies, is represented. IFAC has 143 member bodies in 104 countries, representing 2 million accountants. Full membership in IFAC automatically includes membership in the IASC.
- IAPC** The International Auditing Practices Committee is an IFAC Committee which works to improve the degree of uniformity of auditing practices and related services throughout the world by issuing pronouncements on a variety of audit and attest functions and promoting their acceptance world-wide.

OTHER TERMS USED IN REPORT

Corporate Governance	The term corporate governance refers to the process of supervision and control operating within companies. Company law provides the general framework within which companies operate.
Auditor qualification	The classes of persons qualified to act as auditors in Ireland are set out in section 187 of the Companies Act, 1990 (as amended). Aside from some 50 persons who were individually authorised as company auditors before 3 February, 1983, the remainder hold valid practising certificates from, and are members of, accountancy bodies recognised by the Minister for Enterprise, Trade and Employment under section 191 of the 1990 Act. A register of qualified auditors is maintained by the Registrar of Companies.
SMEs	<p>Small and Medium Sized Enterprises: The thresholds for medium sized companies are currently defined in company law (S.I. 396 of 1993 European Community (Accounts) Regulations) as:</p> <ol style="list-style-type: none"> 1. having a balance sheet total that does not exceed £6 million, 2. a turnover of £12 million and 3. 250 employees. <p>A private company can be treated as a medium sized company if it satisfies at least two of these three criteria.</p> <p>A small company is a subset of the above and is defined as:</p> <ol style="list-style-type: none"> 1. having a balance sheet total that does not exceed £1.5 million, 2. a turnover of £3 million and 3. 50 employees.
IFSC	The International Financial Services Centre was established by the Government in 1987. The principal objective in establishing the IFSC is the development of a strong international financial services industry in order to create sustainable high quality employment in Ireland.

SRA (SFR)

Single Regulatory Authority: In October 1998 the Government agreed in principle to the establishment of a single regulatory authority for the financial services sector and established the McDowell Implementation Advisory Group to progress the necessary work. The Group reported in May 1999. The Group recommended that the SRA should be an entirely new independent organisation. A minority of the Group preferred to locate the SRA within the overall framework of the Central Bank. The Group considered that all financial service providers should, in principle, be dealt with by the SRA and that a compelling case would have to be made for the exclusion of any provider from its remit.