

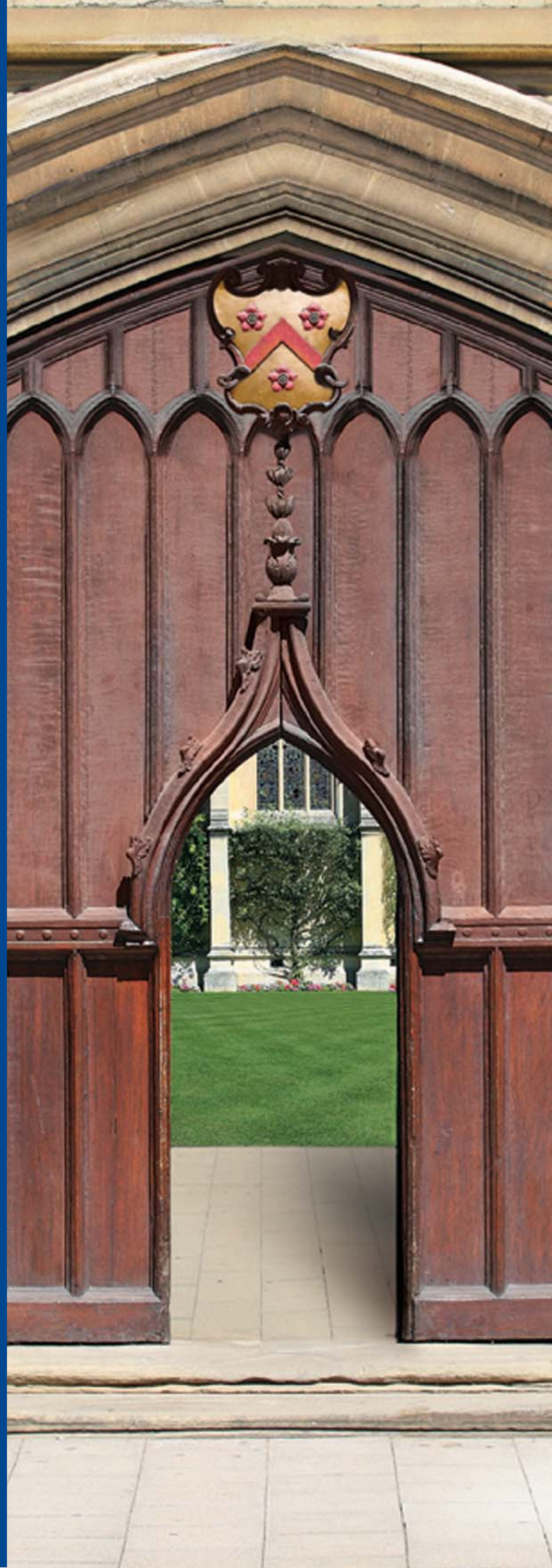


AUDIT COMMITTEE INSTITUTE

Quarterly

34

December 2017



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 1,100 members. For more information on the activities of the ACI, please visit our website at: www.kpmg.ie/aci



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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 topics covered in this issue include:

- GDPR: are you ready?
- Brexit: aiming for a moving target
- ESG, strategy, and the long view
- 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

GDPR: are you ready?

The European General Data Protection Regulation (GDPR) will come into force on 25 May 2018. It aims to standardise and strengthen the right of European citizens to data privacy by emphasising transparency, security and accountability by data controllers. While many of the themes, high level requirements and language of the GDPR are not vastly different from existing data protection legislation, the GDPR imposes new obligations and stricter requirements on in-scope organisations.

The GDPR also includes provisions to impose administrative fines of up to €20 million or up to 4 percent of global turnover (whichever is higher) for certain infringements. If an organisation processes the personal data of people in the EU, or is a data controller or processor established in the EU, the GDPR will apply.

Personal data

The GDPR expands the classification of 'personal data' to data from which a living individual can be identified. The obvious examples of this are a name or an identification number. The GDPR also covers less obvious examples of personal data through which one could reasonably identify an individual, such as an IP address, location data, mobile device identifier or factors specific to the physical, cultural or social identity of that person.

Article 9 describes the circumstances under which the processing of 'special categories of data' (also known as 'sensitive personal data') may take place. The categories of data which are considered 'sensitive' have been expanded from previous legislation – they now include genetic and biometric data as well as information such as health, ethnic origin, sexual orientation and political or religious beliefs.

Data controllers and data processors

A data controller is a person or entity that determines the means and purposes of the processing that will occur on personal data it holds. A data processor performs the processing on behalf of the data controller – for example, an organisation (the data controller) may utilise the services of a marketing company or a payroll firm to perform work on the data controller's

behalf. Data processors may be subject to fines or other sanctions if they don't comply with the GDPR requirements.

Data controllers are liable for their own compliance with the GDPR. If a data controller utilises a data processor, a binding written contract (or other legal provision) must be in place that governs that processing. Similarly, if a data processor employs another sub-processor they too are required to have a written contract. Any contracts that are active when the GDPR comes into effect must meet the new GDPR requirements.

The GDPR sets out minimum requirements as to what must be included in a contract. These requirements include clauses stipulating the type of personal data that is to be processed as well as the nature and purpose of that processing. The contracts must also govern the management of the Personal data by the data processor, including their taking appropriate measures to secure the data and assisting the data controller in meeting the rights of data subjects as laid out by the GDPR. If a data processor fails to meet its obligations, or acts outside of the instructions of the data controller, then it may be liable for damages in legal proceedings and/or subject to fines under the GDPR.

Key questions to consider for your organisation

- 1 Who is in charge of Data privacy and protection in the company? Have you appointed an appropriate Data Protection Officer?
- 2 Are you having conversations around Data privacy and protection risks internally? What are your key risks?
- 3 What is your Data privacy strategy – People/Process/Technology and Protect/Detect/Respond?
- 4 Who do you report to in the event of a breach?
- 5 Do you know where your data is stored, how it is processed and who has access to it? Did you obtain the data legally?
- 6 Do you have formal processes in place to consider the right “to keep the data up to date”?
- 7 Do you consider the “right to be forgotten”?
- 8 Are you aware of how your third parties safeguard your data?
- 9 As part of your role, do you share data outside of the EU?
- 10 Have you documented and assessed your controls?
- 11 When obtaining information from clients/customers, do you let them know how you will use their information?



The UK Information Commissioner's Office published draft guidance on contractual requirements in September 2017. This guidance refers to standard contractual clauses being made available – however, at the time of writing, no such clauses have been published.

Further requirements are introduced if personal data is being transferred outside of the European Economic Area to a 'third country'. Irish organisations that transfer personal data from Ireland to third countries will need to ensure that the country in question provides an adequate level of data protection. Some third countries have been approved for this purpose by the EU Commission. If the third country has not been approved, data controllers must rely upon one of nine alternative measures, most likely an arrangement which has been approved in advance by the Data Protection Commissioner. Model contracts have been prepared for this purpose by the EU Commission and are available to download from their website.

Lawfulness of processing

Article 6 sets out the six types of 'lawful basis' that apply for the processing of personal data, including the fulfilment of contractual or legal obligations.

If an organisation relies on consent from an individual for the processing of their data, then higher standards for that consent will apply. The language used in requesting consent must be specific, clear and unambiguous. Recital 32 states that consent must be given by "a clear affirmative act" for each processing purpose and that a pre-ticked box on a website, for example, does not constitute consent. Furthermore, individuals have the right to withdraw this consent at any time, and appropriate mechanisms must be provided to allow them to do so. Additional restrictions apply to children consenting to the use of their Personal data.

The use of 'legitimate interest' may be a lawful basis for processing personal data. The GDPR Recitals cite examples of processing that could be in the legitimate interest of the data controller. Recital 47

states that "Such legitimate interest could exist ... where there is a relevant and appropriate relationship between the data subject and the controller ... such as where the data subject is a client or in the service of the controller". Recitals 47 to 50 further cite direct marketing, transmitting personal data between a group of undertakings for administrative reasons, ensuring network security and reporting potential criminal acts as potential processing activities that could use this lawful basis. However, careful consideration is required before relying on legitimate interests as a grounds for processing. Recital 47 cautions that data controllers should consider the expectations of data subjects in assessing a legitimate interest, including if the data subject can "reasonably expect" their data to be processed for that purpose.

Enhanced individual rights

Articles 12 – 23 of the GDPR cover the enhanced rights of individuals under the GDPR. Among these rights, the GDPR obliges organisations to provide 'fair processing information', typically through a privacy notice at the point of data capture. Other rights include the right to obtain access to their Personal data, to have their data rectified if it is inaccurate or incomplete, to object to their data being processed and to have their data securely moved or copied from one IT environment to another. While individual rights granted by the GDPR are similar to those under existing data protection legislation, existing organisational processes should be revisited to ensure compliance with enhancements e.g. being able to provide Personal data in a structured, commonly used and machine-readable form. Should an organisation suffer a data breach, new obligations apply around how and when that breach should be reported.

Accountability and privacy by design

Article 5 of the GDPR places the onus on organisations to demonstrate their compliance with the GDPR under the principle of 'accountability'. This may require organisational changes to their approach to data protection compliance. Organisations will

be required to evidence that the Personal data that they acquire is done so in a lawful, transparent manner. Furthermore, they must ensure that they can demonstrate that only the minimal amount of data that is required is captured, that the data is securely managed and that it is retained for no longer than is demonstrably necessary for the purposes of processing. Article 25 of the GDPR covers the concept of 'data protection by design', requiring that "appropriate technical and organisational measures" are implemented from the outset of data processing activities. Article 35 includes a requirement that organisations conduct Data Protection Impact Assessments (DPIAs) where the processing is "likely to result in a high risk to the rights and freedoms of natural persons". The Article 29 Working Party (an official advisory body consisting of representatives from the data protection authorities of each EU Member state) has provided guidance on how and when DPIAs should be conducted. While the requirement for DPIAs applies to processing operations initiated after the GDPR becomes applicable on 25 May 2018, the Article 29 Working Party "strongly recommends" that DPIAs should be carried out for processing that is already underway.

What should my organisation do now?

The above highlights some of the areas where the GDPR imposes higher standards for data protection. It is an organisation's responsibility to demonstrate how they are compliant with the GDPR principles.

A key initial step is to understand what personal data your organisation processes. This should be documented, showing how personal data is captured, where it is stored and under what lawful basis (as defined by the GDPR) the data is processed. This document should also capture any personal data that is transferred to third-party processors.

Among the subsequent steps to take, an organisation should validate that they have;

- Defined organisational policies and procedures covering how data is captured, processed, managed and disposed of;
- Defined processes to fulfil Data Subject Right obligations;
- Implemented GDPR-compliant contractual arrangements with third-party processors;
- Confirmed if they are required to appoint a dedicated Data Protection Officer per Article 37 of the GDPR;
- Identified cross-border transfers outside of the EEA, and implemented suitable contractual clauses; and
- Implemented appropriate monitoring and controls to evidence their GDPR compliance.

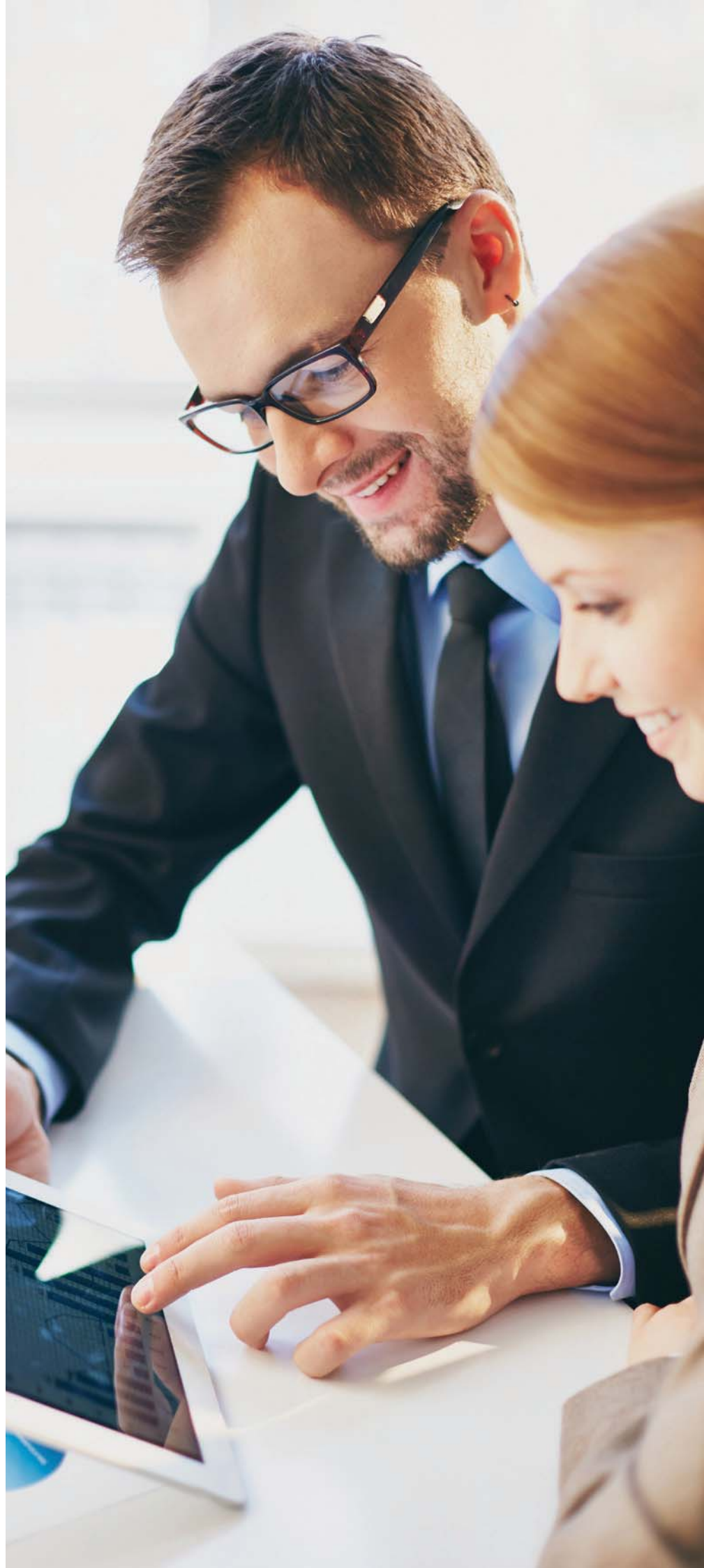
In parallel to the above activities, it is crucial that your organisational culture supports your GDPR obligations. Training and awareness activities should be conducted so that everybody in your organisation is aware of your organisational policies and requirements for compliance. Furthermore, support is required from the highest levels of your organisation to ensure that compliance forms a key part of your management activities.

Further Reading

The Data Protection Commissioner has a dedicated GDPR website, www.gdprandyou.ie. It includes resources and guidance on many aspects of the GDPR, and provides links to further official guidance.

The UK Information Commissioner's Office, ico.org.uk, provides a GDPR readiness assessment checklist which can help you to identify the areas of GDPR compliance in which you are lacking.

Article by
David Collins,
KPMG Ireland



Brexit: aiming for a moving target

From trade treaties to people movement and exchange rate volatility to logistics, the range of Brexit concerns for Irish business are significant. Given the ever changing predictions on what the final outcome may look like, it's tempting to take a 'wait and see' approach.

In the face of such uncertainty, our approach is to encourage businesses to scenario plan for various outcomes with an emphasis on worst case scenarios. In order to achieve this, key aspects of the business that are at risk from Brexit process should be identified, followed by assessment of potential extent of the impact on each area and on the business as a whole.

What to consider

Depending on the extent of UK sourced content in your supply chains for example, or the location of certain operations, Brexit could pose fundamental questions. Consider what it will cost to serve customers in certain markets and, by extension, how you strategically approach those particular markets, product lines and customers post Brexit.

With a two year headline timeframe set for the negotiation of a post-Brexit trade agreement between the UK and the EU, the time has come to uncover the detail of what Brexit actually means for your business. Would re-introduction of trade tariffs and VAT impact on the viability of the business and if so to what extent? How exchange rate volatility on the various strands of the business would actually manifest themselves? Would this impact on overall performance? These are some key questions that businesses must face.

How to approach the task

Although initially the concept may seem daunting, the process is best approached in a structured and

rationalised manner. Relevant financial data of the business is gathered, including actual financials per accounts and future financial projections for the relevant time frame based on management assumptions. The relevant scenario term can usually span from 3 or 5 years up to 20 years, depending on the industry sector, asset useful economic life and/or financing structure.

Separately, a financial model is constructed to mathematically represent the performance of the business. This can be prepared in-house or outsourced depending on the level of financial modelling expertise in the organisation. A model is usually bespoke to a business and takes into account specific parameters relevant to that business. Typically the model includes Profit and Loss, Balance Sheet and Cash flow reports along with a dashboard presenting targeted graphs and key performance indicators (KPI) selected by management as critical business drivers to monitor. A model is constructed with a key set of variable parameters (inputs) which can be changed as required, whilst the construction of the underlying mathematical model remains unaltered. The business can then assess various 'stress cases' to identify the impact of changes to various parameters on the business versus the base case (un-stressed scenario). This allows prediction of the outcome on the business as a result of the change or 'stress' should it occur.

Some key variables (inputs) which may be particularly useful to run stress scenarios on include – exchange rate movements, haircuts to revenue and/or asset disposal values, changes to tax or depreciation policy and interest rate movements on debt. However the options are vast and specific parameters are usually set for the unique business needs. Usually, key error flags are also incorporated to trigger when an undesired outcome has occurred. This will target management attention to the event to avoid miscommunication or misunderstanding when interpreting financial results.

The outcomes of various scenarios should be assessed to determine overall impact on the business. Some main areas of focus include impact on debt covenants and cash flow over the term of the model. Other key variables to monitor include gearing ratios, debt service cost ratios (DSCR), internal rate of return (IRR), weighted average life (WAL) and maturity term of debt.

In light of the array of potential impacts that the Brexit process will inevitably carry in tow, there is no doubt that a sophisticated financial model which accommodates scenario analysis will serve as an invaluable tool to management in order to navigate their business decisively through the complexities in the period ahead. In short, forewarned is forearmed.

Key questions for boards members and senior management to ask

- Have you considered how much of your future business performance is under your control? To what extent are your forecasts showing contractual revenue?
- Who are your UK customers, suppliers and outsourcing providers? What impact will there be to business interactions?
- To what extent, if any, is your business exposed to cross-border implications?
- What impact will Brexit have on your workforce? For those with UK operations – immigration, cross-border working, workforce mobility and employee availability
- How might Brexit impact on your current financing arrangements? What is your exposure to Sterling? Are there any other direct financial implications such as transfer pricing, tax jurisdictional matters and exchange rate issues?
- Does your business depend directly or indirectly on EU grants or trade agreements?
- What are your energy dependencies and what risks may arise in an event of change of regulation?
- What are your breakeven points, from a marginal costing perspective and sales volume perspective?
- Have you translated the key Brexit risks impacting your business into various best-case and worst-case scenarios?
- Are you actively monitoring your current plan vs budget to detect market shifts?
- Do you have a Plan B?

Article by
Sarah Moran,
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ESG, strategy, and the long view

The role of the corporation in society is an abstract, politically polarising question that is not high on the priority list of most boards. Yet, embedded in this question are strategic and operational issues critical to long-term value creation. And these issues are attracting heightened attention from investors, consumers, and other stakeholders.

From our perspective, many of these issues fall under the broad rubric of environmental, social and governance (ESG), from climate change impacts and worker safety to workplace diversity, executive compensation, and board composition. Given the significant opportunities and risks associated with ESG, companies that excel at identifying and incorporating these issues into their strategy enjoy a competitive advantage in the marketplace and among institutional investors. It is increasingly clear that ESG and Return On Investment are connected.

To help boards understand and shape the total impact of the company's strategy and operations externally - on the environment, the company's consumers and employees, the communities in which it operates, and other stakeholders - and internally, on the company's performance, we offer a five-part framework:



Board oversight

Ensure that the board has the right composition, structure, and processes to oversee ESG in the context of strategy and long-term value creation.

Total impact strategy

Our framework for board oversight of ESG as a strategic issue recognises that creating long-term value increasingly requires companies to understand the impact of their strategies on key stakeholders - investors, employees, customers, communities - as well as on the natural resources and supply chains that the company relies on. Total Impact Strategy encourages companies and boards to widen their aperture for a fuller view of ESG, strategy, and long-term performance.

Wherever the company is on the ESG journey, the oversight framework can help to drive a robust conversation about what ESG risks and opportunities may impact the company's key stakeholders, corporate strategy, and long-term performance and how they will be addressed.

Companies that identify and incorporate these issues into their strategy will clearly stand apart - to investors, customers, employees, and the communities in which they operate - as forward-thinking organisations, focused on long-term performance and value creation.

For additional information on the framework visit - <https://boardleadership.kpmg.us/content/dam/blc/pdfs/2017/esg-strategy-and-the-long-view-a-framework-for-board-oversight.pdf>.

Local regulatory update

Since the last edition of the ACI Quarterly in July 2017, the Irish Auditing and Accounting Supervisory Authority (IAASA), the responsible body for adopting the auditing framework in Ireland and the component authority for audit supervision, continue to make progress in the area of audit quality. The Financial Reporting Council (FRC) in the UK is also moving ahead with thematic reviews and other audit quality initiatives to ensure that audit quality is at the forefront. The PCAOB has entered into a cooperative agreement with IAASA to allow for cooperation and joint inspection between the two organisations. The Central Bank of Ireland has been busy during this period and there have been several developments in relation to financial services regulation.

IAASA developments

Mid-year update on IAASA's financial reporting examination activities

On 20 June 2017, IAASA published its mid-year update on its financial reporting examination activities. The primary function of IAASA's Financial Reporting Supervision Unit (FRSU) is to examine whether the listed companies within its review remit have complied with applicable accounting standards in their financial. This examination extends to the annual and half-yearly financial reports of those companies.

The mid-year update was issued to remind directors, audit committees and preparers of financial reports of some key topics to continue to consider and also to provide stakeholders with an update to IAASA's accounting enforcement activities in 2017 to date.

Read the full report here:

<http://www.iaasa.ie/News/2017/Mid-year-update-on-IAASA's-financial-reporting-exa>

IAASA publishes feedback paper on consultation on Proposal to Revise ISA (Ireland) 250 Section A

On 03 August 2017, IAASA published feedback paper on consultation on Proposal to Revise ISA (Ireland) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements. The purpose of consultation was to obtain the views of stakeholders with regard to IAASA's proposal to issue a revised version of ISA (Ireland) 250 Section A and IAASA has identified the feedback which has been raised in the response to its consultation.

The revised ISA (Ireland) 250 Section A (effective for the audits of financial

statements for periods commencing on or after 15 December 2017) is available on IAASA's website.

Read the full feedback report here:

http://www.iaasa.ie/getmedia/e5ebe9eb-c446-418a-9570-fc5a6e129667/IAASA_Consultation-on-ISA250A_FeedbackFinal.pdf

Read the revised auditing standard here:

https://www.iaasa.ie/getmedia/b8b93975-5b14-4168-a679-43249e0b1cce/Revised_-ISA250A_July2017.pdf

IAASA publishes results of survey on the use of alternative performance measures by Irish listed companies

On 05 September 2017, IAASA published its report on the results of a survey undertaken on Irish listed companies which included Alternative

Performance Measures (APMs) or Key Performance Indicators (KPI) in their 2016/17 annual accounts.

The survey reviewed the annual accounts of 29 Irish Stock Exchange listed companies in order to assess the extent of compliance by these companies with the European Securities and Markets Authority ('ESMA') Guidelines on Alternative Performance Measures ('ESMA APM Guidelines').

Read the full report here:

http://www.iaasa.ie/getmedia/1fd03585-c071-45a6-bc01-cca56ca8925e/2017_09_05-APM-Thematic-final-for-publication.pdf

Financial Reporting Council (FRC) developments

FRC published Audit Quality Thematic Review - Firms' audit quality control procedures and other audit quality

On 02 March 2017, the FRC published its Audit Quality Thematic Review – Firms' audit quality control procedures and other audit quality. The report outlines the various audit data analytics used by the 6 largest UK audit firms, along with the FRC's findings from the review and examples of good practices observed.

Read the full report here:

<http://www.frc.org.uk/getattachment/f42bfdea-4582-4c49-b8dc-fbf85faf78b8/Audit-Quality-Thematic-Review-control-procedures-March-2017.pdf>

FRC published Developments in Audit 2016/17

On 28 July 2017, the FRC its developments in audit report where it sets out evidence from both its own audit quality and thematic reviews and feedback from audit committees and investors. The report sets out what the FRC, as the competent authority for audit regulation in the UK is doing to improve audit quality and how they are working to enhance the effectiveness of audit committees.

Read the full report here:

<https://www.frc.org.uk/getattachment/915c15a4-dbc7-4223-b8ae-cad53dbcca17/Developments-in-Audit-2016-17-Full-report.pdf>

FRC published ISA (UK) 330 Revised July 2017 and ISA (UK) 250 Revised July 2017

On 14 July 2017, the FRC published ISA (UK) 330 The Auditor's Responses to Assessed Risks and ISA (UK) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements revised for July 2017. These standards will become effective for audits of financial statements for periods commencing on or after 15 December 2017.

Read the full report here:

ISA (UK) 330: [http://www.frc.org.uk/getattachment/809bc664-12ea-402b-ab8e-632c9bd4cd41/ISA-\(UK\)-330-Revised-July-2017_final.pdf](http://www.frc.org.uk/getattachment/809bc664-12ea-402b-ab8e-632c9bd4cd41/ISA-(UK)-330-Revised-July-2017_final.pdf)

ISA (UK) 250: [http://www.frc.org.uk/getattachment/dce50b77-37d0-4148-b3e6-aec9d00e882d/ISA-\(UK\)-250A-Revised-July-2017_final.pdf](http://www.frc.org.uk/getattachment/dce50b77-37d0-4148-b3e6-aec9d00e882d/ISA-(UK)-250A-Revised-July-2017_final.pdf)

FRC published Non-Financial Reporting Directive Factsheet

On 26 July 2017, the FRC published Non-Financial Reporting Directive Factsheet. In December 2016, the government published new regulations implementing the European Union Directive on disclosure of non-financial and diversity information (the 'Non-Financial Reporting Directive'). The regulations amend the Companies Act 2006 requirements for the Strategic Report and include diversity requirements in the Disclosure and Transparency Rules (DTR). They apply for financial years beginning on or after 1 January 2017.

Read the full report here:

<http://www.frc.org.uk/getattachment/3dfe0ac6-ac6d-41a0-91bf-df98cbba0ad6/Non-Financial-Reporting-Factsheet-Final.pdf>

FRC published advice for preparing 2017/18 annual reports

On 10 October 2017, the FRC published its letter to companies highlighting where improvements can be made when preparing annual reports for the 2017/18 reporting year end. The letter identifies the FRC's perspective on aspects of annual reports that companies should aim to improve on and it also highlights changes to UK reporting requirements.

Read the full letter here:

<https://www.frc.org.uk/getattachment/e8cfb722-5d72-404c-90df-4f90ef351c4f/Year-end-advice-letter-to-companies-FINAL.pdf>

PCAOB developments

PCAOB enters into cooperative agreement with IAASA

On 2 November 2017, the PCAOB published its cooperative agreement with IAASA which allows for the cooperation and exchange of information between the PCAOB and IAASA. The cooperation agreement also provides for joint inspections of audit firms subject to the regulatory jurisdiction of both the PCAOB and IAASA.

Read the full cooperative agreement here: <https://pcaobus.org/International/Documents/Cooperative-Agreement-Ireland.pdf>

Investment Management Regulation MiFID II

As set out in Quarterly 33 edition: MiFID II presents a major implementation challenge for firms as it is the most substantial overhaul of EU legislation in investment services in a decade. The Minister for Finance has signed the European Union (Markets in Financial Instruments) Regulations 2017 (S.I. No. 375 of 2017) (MiFID II Regulations), which transpose MiFID II into law. While Ireland has not "gold plated" MiFID II, it has exercised its national discretion in relation to a number of areas, including in relation to third country branches, fees for cancelled orders and criminal sanctions in respect of infringements of MiFID II. The Regulations have been published in Iris Oifigiúil and will enter into effect on 3 January 2018.

Read the full SI 375 of 2017 here:

<http://www.irishstatutebook.ie/eli/2017/si/375/made/en/pdf>

MiFID II provides for a discretionary exemption, to allow certain firms to continue to be regulated under national legislation rather than MiFID II, provided the requirements under the two regimes are aligned. In order to ensure that the regimes under national legislation and MiFID II are analogous and that the exemption can be availed of, the Central Bank has had to amend the Consumer Protection Code (CPC). Firms that are eligible for

this exemption are ones that engage in what are termed MiFID Article 3 services. These include the receipt and transmission of orders and/or the provision of investment advice in transferable securities and collective investment schemes. Furthermore, these firms must not hold client funds.

In August 2017, the Central Bank produced an Addendum to the CPC Code 2012. The changes to CPC Code which applies to firms providing the MiFID Article 3 services are in relation to:

- Target market;
- Conflicts of interest;
- Telephone conversations;
- Provision of independent advice;
- Execution of orders;
- Suitability assessments;
- Remuneration;
- Provision of information on costs and charges; and
- Advertising.

Read the full Addendum here:

<https://www.centralbank.ie/docs/default-source/Regulation/consumer-protection/other-codes-of-conduct/addendum-to-the-consumer-protection-2012-code---august-2017.pdf?sfvrsn=6>

Insurance

PRIIPs - Packaged Retail and Insurance-based Investment Products (PRIIPs)

The regulatory framework to implement the PRIIPs regime is still evolving. On 4 July 2017, the European Commission published guidelines on the application of the PRIIPs Regulation and the Joint Committees of the European Supervisory Authorities published its first set of Q&As on PRIIPs implementation. These clarifications which take industry feedback into account, follow the April 2017 publication in the Official Journal of the European Union of regulatory technical standards (RTS) dealing with the presentation, content, review and revision of the harmonised key information document (KID), ahead of the 1 January 2018 implementation date.

Under the technical standards, the PRIIPs KID must outline the product's aims, how risky it is, it's expected returns, how much it costs and when investors can get their money back. All of this information must be set

out in a standard consumer friendly way in a three page A4 document, regardless of the type of investment product. This is to ensure that the main features of the investment product are clearly presented to the investor and to better enable consumers across the EU to compare investment-linked insurance policies, investment funds and investment products.

As the KID is intended as a harmonised pre-contractual disclosure document, it should be noted that as such it does not replace other disclosure documents, such as a prospectus or other binding contractual documentation. A key challenge in the drafting of the KID is to balance the requirement for clear and concise language while also being accurate, fair, not misleading and consistent with the other sources of information made available to investors.

The scope of the PRIIPs Regulation includes: retail AIFs, UCITS Funds (from 2020), retail structured products, derivatives and life assurance based investment and the definition of a PRIIP itself is broadly constructed as an investment where the amount repayable to the retail investor is subject to fluctuations because of exposure to reference values or to the performance of one or more assets which are not directly purchased by the retail investor. The overall objective of the PRIIPs Regulation is to improve pre-contractual information to retail investors in a market that is worth up to approximately €10 trillion in Europe.

Cross Sectorial

General Data Protection Regulation (GDPR)

Described by the European Commission as a major step towards a Digital Single Market, the General Data Protection Regulation (GDPR) is set to enter into force on 25 May 2018. The GDPR will replace the current data protection framework and will take direct effect in all EU Member States.

The Irish General Scheme of Data Protection Bill 2017 supplements GDPR and gives it effect in Ireland. It provides for the replacement of the Data Protection Commissioner with a Data Protection Commission (DPC) to allow for the appointment of up to three Commissioners. The new DPC will have the power to impose the fines and sanctions set out in GDPR and to

oblige data controllers and processors to appoint a Data Protection Officer. The Bill also proposes the imposition of personal liability on directors, managers, secretaries or other officers where an offence under the Act has been committed.

Read the full General Scheme of Data Protection Bill (May 2017) here:

[http://www.justice.ie/en/JELR/General_Scheme_of_Data_Protection_Bill_\(May_2017\).pdf/Files/General_Scheme_of_Data_Protection_Bill_\(May_2017\).pdf](http://www.justice.ie/en/JELR/General_Scheme_of_Data_Protection_Bill_(May_2017).pdf/Files/General_Scheme_of_Data_Protection_Bill_(May_2017).pdf)

4th Anti Money Laundering Directive (4AMLD)

The 4th Anti-Money Laundering Directive (4AMLD) was due to be transposed by EU Member States by 26 June 2017, however legislation transposing the Directive in Ireland is not expected until Q4 2017. A draft Head of Bill (the Criminal Justice (Money Laundering and Terrorist Financing) (Amendment) Bill) was published in December 2016 and a revised Bill is due to be issued shortly.

Notwithstanding the delay in transposition of the legislation in Ireland, there are two developments which are noteworthy:

- The reference to a customer in the draft Bill, where a customer means "the underlying investor in the fund" in the context of a fund service provider's business, is likely to be removed from the revised Bill as the fund service provider's customer relationship is with the fund rather than the underlying investor; and
- The beneficial ownership requirements have already been partially transposed into Irish law with the enactment of S.I. 560 2016 European Union (Anti-Money Laundering: Beneficial Ownership of Corporate Entities) Regulations 2016 in November 2016. These requirements were implemented early in order to enable obliged entities time to gather beneficial ownership data of corporate entities in advance of the national central register being established.

The European Supervisory Authorities (the "ESAs") have published guidelines on how to adopt a risk sensitive approach to performing Customer Due Diligence (CDD), including the

factors entities should consider when assessing ML/TF risk attached to a business relationship. As noted above, with the changes to ECDD and SCDD, customer risk assessments will become even more important and the ESA guidelines will be an important tool for entities when considering how best to meet their obligations.

Read the European Supervisory Authorities guidelines on how to adopt a risk sensitive approach to performing Customer Due Diligence here:

<https://www.eba.europa>

Anti-Money Laundering/Counter Terrorism Financing (AML/CTF) enforcement actions

The Central Bank fined two of the Irish banks in respect of AML/CTF breaches including:

- Failure to report suspicious transactions to An Garda Síochána and the Revenue Commissioners;
- Failure to conduct Customer Due Diligence (CDD);
- Failures and significant weaknesses in controls, policies and procedures; and
- Failures relating to risk assessment of money laundering/terrorist financing ('ML/TF') risks specific to its business and the relevant mitigating systems and controls.

Read the full reports here:

<https://www.centralbank.ie/news-media/legal-notice/settlement-agreements>

Competency Code Regulations 2017

The Central Bank has issued a revised Minimum Competency Code and new Minimum Competency Regulations 2017 which together replace the

former Code. The changes will take effect on 3 January 2018.

The changes arising from these developments include:

- A requirement on a regulated firm to ensure that staff have obtained the competence and skills appropriate to the relevant function, through experience or training gained in an employment context, in addition to obtaining a relevant recognised qualification;
- A requirement for at least one key staff member involved in the design of a retail financial product to meet a prescribed standard of minimum competency;
- A requirement of six hours of continuous professional development each year for board members of a mortgage credit intermediary; and
- A requirement on regulated firms to carry out an annual review of staff members' development and experience needs.

Brexit: European Securities and Markets Authority (ESMA)

In May 2017 ESMA published an opinion setting out nine general principles aimed at fostering consistency in authorisation, supervision and enforcement to be applied to entities relocating from, or moving activities and functions from, the UK. The principles include:

- No automatic recognition of existing authorisations;
- Authorisations granted by European national competent authorities (NCAs) should be rigorous and consistent;
- NCAs should be able to identify the objective reasons for relocation;

- Special attention should be granted to avoid letter-box entities;
- Outsourcing and delegation to third countries is only possible under strict conditions;
- NCAs should ensure that substance requirements are met;
- NCAs should ensure sound governance of EU entities;
- NCAs must be in a position to effectively supervise and enforce EU law; and
- Coordination to ensure effective monitoring by ESMA.

Similar to the ESMA principles, European Insurance and Occupational Pensions Authority issued principles in June 2017 which set out guidance relating to the following:

- Authorisations;
- Governance and risk management;
- Outsourcing of critical and important activities;
- Ongoing supervision; and
- Monitoring by EIOPA.

Read the full reports here:

ESMA: <https://www.esma.europa.eu/press-news/esma-news/esma-issues-principles-supervisory-approach-relocations-uk>

EIOPA: <https://eiopa.europa.eu/Publications/Press%20Releases/EIOPA%20issues%20principles%20on%20supervisory%20approach%20to%20the%20relocations%20from%20the%20United%20Kingdom.pdf>

www.centralbank.ie

Active Central Bank consultations

There are currently two active Central Bank consultations.

Document	Date	Title	Closing Date	CP Number	Status
PDF	01/08/2017	CP112 Enhanced Mortgage Measures: Transparency and Switching	01/11/2017	CP112	Active
PDF	01/11/2017	CP113 Consultation on Potential Amendments to Fitness and Probity Regime for Credit Unions	10/11/2017	CP113	Active

The list of closed Central Bank consultations can be accessed here:

<https://www.centralbank.ie/publication/consultation-papers>

Financial reporting update

This section provides an overview of the key developments in accounting standards since our last edition.

Overview

Since our last edition of ACQ in April 2017, there have been limited amendments to local GAAP and to IFRS.

In local GAAP, the most significant publication has been FRED 68 which sets out proposals to amend FRS 102, the financial reporting standard applicable in the UK and Republic of Ireland. One of the main new requirements is the proposal to require the tax effects of a gift aid payment that will probably be made within nine months of the reporting date to be accounted for at the reporting date. This will only have limited impact if adopted, as it only relates to payments received by subsidiaries from charitable parents.

From an IFRS perspective, there have been a number of limited amendments to IFRS and exposure drafts issued. The IASB released the new insurance contracts standard IFRS 17 Insurance Contracts which aims to increase transparency and reduce diversity in the accounting for insurance contracts. IFRS 17 will apply for IASB IFRS for annual periods beginning on or after 1 January 2021. The IASB released the materiality practice statement making materiality judgements in order to provide non-mandatory guidance to preparers of financial information on how to determine and separate material information from non-material information. This practice statement which was issued on 14 September 2017 can be applied immediately by IFRS entities.

IAASA, Ireland's accounting enforcer, published their observations on selected financial reporting issues for years ending on or after 31 December 2017. The document highlights the key topics that IAASA feels should be considered by those preparing, approving and auditing 2017 financial statements. These topics, which are covered in more detail below, include an expectation that alternative performance measures (APMs) are presented in a transparent and consistent manner with IFRSs, along with an expectation that companies will disclose the impact of upcoming IFRSs which have been issued but are not yet effective, with particular emphasis on IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases. The emphasis on the disclosures regarding the new IFRSs was further reinforced by the European Securities and Markets Authority (ESMA) who published their priorities to be considered by listed companies and their auditors when preparing and auditing 2017 financial statements. ESMA highlighted IFRS 9, IFRS 15 and IFRS 16 disclosures as particular areas of focus for 31 December 2017 year ends. It is very important that Audit Committees are aware of the significant focus of the regulators on these areas and are satisfied that they are subject to appropriate attention during the financial statement process.



FRC Accounting standards

Ongoing FRC Projects

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

Project	Status
FRED 68 Draft amendments to FRS 102 Payments by subsidiaries to their charitable parents that qualify for gift aid (issued by the FRC on 20 September 2017).	<p>FRED 68 sets out proposals to amend FRS 102 to require the tax effects of a gift aid payment that is probable will be made within nine months of the reporting date to be taken into account at the reporting date. Although the gift aid payment is made after the reporting date, the tax effects automatically relate to the earlier period so this amendment is hoped to reflect the fact that in most cases such entities will minimize their liability for corporation tax as a result of making gift aid payments.</p> <p>In addition, it is also proposed to clarify that:</p> <ul style="list-style-type: none"> (i) The gift aid payment, as a distribution to owners, shall not be accrued at the reporting date (unless a deed of covenant is in place) and shall be recognised in equity; and (ii) The tax effects of the gift aid payment shall be recognised in profit or loss. <p>The FRC advises that FRED 68 should be finalised with the proposals in FRED 67 Draft amendments to FRS 102 – Triennial review 2017 – incremental improvements and clarifications. Therefore it is proposed that these draft amendments have an effective date of accounting periods beginning on or after 1 January 2019, with early application permitted provided that all of the amendments are applied at the same time.</p>
Implementation issues (ongoing)	<p>As communicated in the last ACQ publication, the Corporate Reporting Council and its UK GAAP Technical Advisory Group are performing reviews of any issues arising relating to the implementation of FRS 102 as those issues arise.</p> <p>Decisions about the best way to addresses these issues such as editorial points, areas where FRS 102 is silent, and areas where divergent accounting practice seems to be emerging in practice etc. are being taken on a case-by-case basis.</p>

Further detail on the ongoing projects being undertaken by the FRC can be accessed at:

<https://frc.org.uk/accountants/accounting-and-reporting-policy/uk-accounting-standards/on-going-projects>

IFRS activity

Release of IFRS 17 Insurance Contracts

In June 2017, the IASB released the first truly international IFRS for insurance contracts, IFRS 17 Insurance Contracts. IFRS 17 aims to increase transparency and reduce diversity in the accounting for insurance contracts.

The key principles in IFRS 17 are that an entity:

- Identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder in the event of a specified uncertain future event adversely affecting the policyholder;
- Separates specified embedded derivatives, distinct performance obligations and distinct investment components from the insurance contracts;
- Divides the contracts into groups that it will recognise and measure;
- Recognises and measures groups of insurance contracts at:
 - A risk adjusted present value of the future cash flows that includes all of the available information about the cash flows in a way that is consistent with observable market information; plus or minus
 - An amount representing the unearned profit in the group of contracts.
- Recognises the profit from a group of insurance contracts over the period the entity provides the insurance cover, and as the entity is released from risk;
- Presents separately insurance revenue, insurance service expenses and insurance finance income or expenses; and

- Discloses information to enable users of financial statements to assess the effect that the contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.

IFRS 17 is effective for IASB IFRS for accounting periods beginning on or after 1 January 2021, however it has not yet been endorsed for EU IFRS.

KPMG has issued further details and guidance on IFRS 17 on KPMG website at the following link:

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

Further detail on IFRS 17 is available on the IASB website at the following link:

<http://www.ifrs.org/issued-standards/list-of-standards/ifrs-17-insurance-contracts/>

Further amendments to IFRS which were published by the IASB since our last edition of ACQ are outlined below.

Practice Statement 2 – Making Materiality Judgements

On 14 September 2017, the IASB released IFRS Practice Statement 2 – Making Materiality Judgements. The aim of the practice statement is to provide entities with guidance on making materiality judgements when preparing financial statements in accordance with IFRS. The practice statement:

- Provides an overview of the general characteristics of materiality;
- Presents a four step process an entity may follow in making materiality judgements when preparing its financial statements; and
- Provides guidance on how to make materiality judgements in specific circumstances e.g. about prior period information, errors and covenants.

The practice statement is non-mandatory guidance and therefore its application is not required to state compliance with IFRS. If adopted by an entity, it can be applied immediately from its date of publication i.e. 14 September 2017.

KPMG has issued guidance on Practice Statement 2 which is available at the link below:

<https://home.kpmg.com/xx/en/home/insights/2017/09/materiality-practice-statement-financial-judgements-ias8-ias1-280917.html>

IAASA Focus areas for 31 December 2017 year-end financial statements

On 25 September 2017, IAASA, Ireland's accounting enforcer, published its annual Observations on selected financial reporting issues in respect of years ending on or after 31 December 2017. The document highlights key topics that management, directors and audit committees should consider when preparing, approving and auditing financial statements. The Observations document highlights the following areas as requiring greater focus

by those preparing and approving financial statements for years ending on or after 31 December 2017:

- Disclosure of the impact of the new accounting standards issued but not yet effective with particular emphasis on the disclosure of the expected impact of IFRS 9, IFRS 15 and IFRS 16;
- Presentation of Alternative Performance Measures (APMs) in a more consistent and transparent manner;
- The measurement and disclosure of fair values; and
- The accounting treatment of uncertain tax positions.

It should be noted that while IAASA's remit extends to companies with listed securities on a regulated market (primarily those listed on the main market of the Irish Stock Exchange), the topics identified in the 2017 Observations document could be considered by a broader range of companies with the aim of improving financial reporting and to increase the transparency and usefulness of financial statements for users.

As the document also outlines the areas that IAASA intend to focus on in their 2018 examinations, audit committee members are encouraged to read IAASA's Observations which is available at:

<http://www.iaasa.ie/getmedia/3ffd61e0-b95f-4fb5-8840-23a79a7f0bba/Obs-doc-2017.pdf>

ESMA Focus areas for 31 December 2017 year-end financial statements

On 27 October 2017, ESMA published the Public Statement on European Common Enforcement Priorities (Statement) which sets out their priorities to be considered by listed companies and their auditors when preparing and auditing their 2017 financial statements. The 2017 priorities include:

- Disclosure of the expected impact of the implementation of major new IFRS in the period of their initial application with particular emphasis on IFRS 9, IFRS 15 and IFRS 16 disclosures;
- Specific measurement and disclosure issues stemming from IFRS 3 Business Combinations including highlighting that issuers need to ensure consistency between the assumptions used to measure intangible assets at fair value for the purpose of purchase price allocation in a business combination and the assumptions applied for any impairment testing;
- Specific measurement and disclosure issues stemming from IAS 7 Statement of Cash Flows including highlighting disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, and also disclosures where cash is restricted and available for use by the group;
- Emphasis on the importance of measurement and disclosure of non-performing loans by credit institutions; and
- The fair presentation of the associated risks and impacts on business strategy, activities and financial performance as a result of the expected impact of Brexit.

Audit Committees are encouraged to read ESMA's published Statement to ensure that the key focus areas of ESMA are addressed in the preparation of the 31 December 2017 financial statements. The ESMA Statement can be accessed at:

https://www.esma.europa.eu/sites/default/files/library/esma32-63-340_esma_european_common_enforcement_priorities_2017.pdf

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 17 Insurance Contracts	June 2017	1 January 2021*
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	June 2017	1 January 2019*
Amendments to IFRS 9 – Prepayment Features with Negative Compensation	October 2017	1 January 2019*
Amendments to IAS 28 – Long-term interests in Associates and Joint Ventures	October 2017	1 January 2019*

*Please note that these amendments have not yet been endorsed for use by IFRS as adopted by the EU.

IFRS 17 Insurance Contracts

Please note that an overview of IFRS 17 has also been provided earlier in this publication with links to relevant KPMG guidance and materials.

Amendments to IFRS 9 – Prepayment Features with Negative Compensation

The IASB has released a press release and further guidance on Amendments to IFRS 9 – Prepayment features with Negative Compensation which is available at the following link:

<http://www.ifrs.org/projects/2017/prepayment-features-with-negative-compensation/>

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

The IASB has released a press release and further guidance on IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments which is available at the following link:

<http://www.ifrs.org/news-and-events/2017/06/international-accounting-standards-board-issues-interpretation-on-ias-12-income-taxes/>

Amendments to IAS 28 Long-term interests in Associates and Joint Ventures

The IASB has released a press release and related guidance on the amendments to IAS 28 which provides clarification that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or

joint venture that form part of the net investments in the associate or joint venture. This is available at the following link:

<http://www.ifrs.org/projects/2017/ias-28-long-term-interests-in-associates-and-joint-ventures/>

Forthcoming IFRSs, narrow scope amendments and IFRIC Interpretations

IFRSs and narrow scope amendments	Within 3 months	After 6 months
Borrowing costs eligible for capitalisation (amendments to IAS 23)	✓	
Previously held interests in a joint operation (amendments to IFRS 3 and IFRS 11)	✓	
Income tax consequences of payments on instruments classified as equity (amendments to IAS 12)	✓	
Plan amendment, curtailment or settlement (amendment to IAS 19)	✓	
Availability of a refund (amendments to IFRIC 14)		✓
Definition of a business (amendments to IFRS 3)		✓
Classification of liabilities (amendments to IAS 1)		✓

For further information, please see the following publications:

IASB press release and related publications on the amendments to IAS 23 are available at the following link: <http://www.ifrs.org/projects/work-plan/borrowing-costs-eligible-for-capitalisation/>

- IASB press release and related publications on the proposed amendments to IFRS 3 and IFRS 11 are available at the following link: <http://www.ifrs.org/projects/work-plan/previously-held-interests-in-a-joint-operation/>
- IASB press release and related publications on the proposed amendments to IAS 12 for the income tax consequences of payments classified as equity are available at the following link: <http://www.ifrs.org/projects/work-plan/ias-12-income-tax-consequences-of-financial-instruments-classified-as-equity/>
- IASB press release and related publications on the amendments to IAS 19 are available at the following link: <http://www.ifrs.org/projects/work-plan/remeasurement-on-a-plan-amendment-curtailment-or-settlement/>
- IASB press release and related publications on the amendments to IFRIC 14 are available at the following link: <http://www.ifrs.org/projects/work-plan/availability-of-a-refund/>

- IASB press release and related publications on the amendments to IFRS 3 are available at the following link:
<http://www.ifrs.org/projects/work-plan/definition-of-a-business/>
- IASB press release and related publications on the amendments to IAS 1 are available at the following link:
<http://www.ifrs.org/projects/work-plan/classification-of-liabilities/>

IASB exposure drafts

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

- Exposure Draft: Definition of material (proposed amendments to IAS 1 and IAS 8).

The proposed amendments to IAS 1 and IAS 8 are to refine the definition of material and clarify its application to:

- Align the wording of material in the IFRS standard and the definition in the Conceptual Framework for Financial Reporting (the Conceptual Framework) and make minor improvements to the wording;
- Incorporate some of the existing supporting requirements in IAS 1 into the definition to give them additional prominence; and
- Improve the clarity of the explanation accompanying the definition of material.

The expectation of the IASB is that the proposed amendments will improve understanding of existing requirements rather than significantly affect how materiality judgements are made in practice or significantly affect entities' financial statements.

KPMG has issued guidance on the exposure draft regarding the proposed amendments to IAS 1 and IAS 8 available at the following link:

<https://home.kpmg.com/xx/en/home/insights/2017/09/materiality-practice-statement-financial-judgements-ias8-ias1-280917.html#4>

IASB press release and further guidance regarding the proposed amendments to IAS 1 and IAS 8 is available at the following link:

<http://www.ifrs.org/projects/work-plan/definition-of-material/>

- Exposure Draft: Accounting policies and accounting estimates (proposed amendments to IAS 8).

The proposed amendments to IAS 8 aim to assist entities in distinguishing accounting policies from accounting estimates. The amendments specifically aim to clarify:

- how accounting policies and accounting estimates relate to each other by (a) explaining that accounting estimates are used in applying accounting policies; and (b) Making the definition of accounting policies clearer and more concise.
- that selecting an estimation technique or valuation technique used when an item in the financial statements cannot be measured with precision, constitutes making an accounting estimate; and
- that, in applying IAS 2 Inventories, selecting the First In First Out cost formula or the weighted average cost formula for interchangeable inventories constitutes selecting an accounting policy.

KPMG has issued guidance on the exposure draft regarding the proposed amendments to IAS 8 available at the following link:

<https://home.kpmg.com/xx/en/home/insights/2017/09/accounting-policies-estimates-principles-measurement-bases-ias8-280917.html>

IASB press release and further guidance regarding the proposed amendments to IAS 8 is available at the following link:

<http://www.ifrs.org/projects/work-plan/accounting-policies-and-accounting-estimates/#current-stage>

- Exposure Draft: Proceeds before intended use (proposed amendments to IAS 16).

The exposure draft includes proposed amendments to IAS 16 to prohibit the deduction from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead it is proposed that an entity would recognise those proceeds in profit or loss.

KPMG has issued guidance on the exposure draft regarding the proposed amendments to IAS 16 available at the following link:

<https://home.kpmg.com/xx/en/home/insights/2017/06/asset-ppe-proposals-sales-costs-extractives-exposure-draft-ias16-200617.html>

The IASB press release and further guidance regarding the proposed amendments to IAS 16 is available at the following link:

<http://www.ifrs.org/projects/work-plan/property-plant-and-equipment-proceeds-before-intended-use/>

Further exposure drafts expected are as follows:

Exposure draft	2018 Q1	2018 H1
Accounting policy changes (amendments to IAS 8)	✓	
Fees in the "10 per cent" test for de-recognition (amendments to IFRS 9)	*	
Goodwill and impairment (amendments to IAS 36)		✓**
Primary Financial Statements		✓**
Rate regulated activities		✓**

* Indicative date has not been provided

** It is not yet clear whether an exposure draft or discussion paper will be released.

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 31 December 2017 year-end financial statements

For those companies which are preparing their financial statements for the year ended 31 December 2017 i.e. annual periods beginning on or after 1 January 2017, there are as yet no new amendments applicable. The IASB have three effective amendments (see below). These amendments are awaiting endorsement by the EU which is expected by Q4 2017 and those amendments may be endorsed with effective date for accounting periods beginning on or after 1 January 2017. We recommend that you continue to monitor the endorsement of these standards by checking the endorsement status on the European Financial Reporting Advisory Group's endorsement webpage which can be accessed at the link below:

<http://www.efrag.org/Endorsement?AspxAutoDetectCookieSupport=1>

Please note that the same applies to 31 March 2018 year-end financial statements.

IFRSs as adopted by the EU for 31 March 2018 interim financial statements

For those companies which are preparing their interim financial statements for the 6 month period ended 31 March 2018 i.e. annual periods beginning on or after 1 October 2017, the following will apply for the first time in their 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 15 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; and
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment entities – exception to consolidation.

IASB IFRSs

Newly effective IASB IFRSs for 31 December 2017 year-end financial statements

For those companies which are preparing their year-end financial statements for the year ended 31 December 2017 i.e. annual periods beginning on or after 1 January 2017 under IASB IFRS, the following will apply for the first time in their year-end financial statements:

- Amendments to IAS 12 Income taxes: Recognition of deferred tax assets for unrealised losses;
- Amendments to IAS 7 Statement of cash flows: Disclosure initiative; and
- Amendments to IFRS 12 Disclosure of interests in other entities: Clarification of the scope of the disclosure requirements in IFRS 12.

IASB IFRSs for 31 March 2018 interim financial statements

For those companies which are preparing their interim financial statements for the 6 month period ended 31 March 2018 i.e. annual periods beginning on or after 1 October 2017, the following will apply for the first time in their interim financial statements:

- Amendments to IAS 12 Income taxes: Recognition of deferred tax assets for unrealised losses;
- Amendments to IAS 7 Statement of cash flows: Disclosure initiative; and
- Amendments to IFRS 12 Disclosure of interests in other entities: Clarification of the scope of the disclosure requirements in IFRS 12.

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>

Events & Publications

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

A breakfast briefing which addressed the new General Data Protection Regulations (GDPR) was hosted by the Audit Committee Institute, and took place on 4 October 2017 at the Conrad Hotel, Dublin. We were joined by Garrett O'Neill, Data Protection Expert on Regulatory Compliance at the Office of the Data Protection Commissioner, and Mike Daughton, Risk Consulting Partner in KPMG. Over 80 guests enjoyed hearing Garrett and Mike share their perspectives on GDPR.

The GDPR will apply to the processing of personal data from May 2018 and it will have a huge impact on any organisation that processes personal data. The GDPR will replace the existing data protection framework and is designed to result in a single uniform set of data protection rules applying across the EU. The GDPR increases obligations on controllers/processors and affords new rights to data subjects. The Data Protection Commissioner has described GDPR as a "game-changer" for data protection. With just a few months to go, companies need to get informed and learn what they need to do in order to comply with GDPR and protect the personal data that they hold.



Upcoming event(s)

Check out the Audit Committee Institute events page at www.kpmg.ie/aci/events, and the 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 2017. 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.

A selection of what the book can offer is as follows:

- ACI guiding principles for audit committees reflecting the committee's ever-increasing workload
- Step-by-step guide on how to approach an audit tender process
- Complete set of audit committee fundamentals, leading practices and ready-to-use tools
- Best practice guidance on audit committee member induction
- Extensive guidance to assist audit committee chairs in their important role
- Risk oversight essentials in the digitalized world

The guide is available for download at:

<https://home.kpmg.com/content/dam/kpmg/ie/pdf/2017/10/ie-aci-handbook-2017.pdf>.

Word versions of the various questionnaires, and other appendices - which can be customised to a company's specific circumstances - are also included.

ACI Publications since Quarterly 33

Connecting ESG and Corporate performance | Pulse Survey – November 2017 at:

https://kpmg.az1.qualtrics.com/jfe/form/SV_8H3jT2oRbiOjiUR?_cldee=ZmlkZWxtYS5jYXJyb2xsQGtwbWVuaWU%3d&recipientid=contact-c45237a7ffb0e61180f35065f38bc571-70c82863b35b436a8dd1cf7e681ce923&utm_source=ClickDimensions&utm_medium=email&utm_campaign=ACIPulseNov17&esid=009c5407-0dc3-e711-811c-e0071b65ed71&urlid=0

On the 2018 Board Agenda – December 2017 at:

<https://boardleadership.kpmg.us/content/dam/blc/pdfs/2017/on-the-2018-board-agenda.pdf>

On the 2018 Audit Committee Agenda – December 2017 at:

<https://boardleadership.kpmg.us/content/dam/blc/pdfs/2017/on-the-2018-audit-committee-agenda.pdf>

On the 2018 Private Company Board Agenda – December 2017 at:

<https://boardleadership.kpmg.us/content/dam/blc/pdfs/2017/on-the-2018-private-company-board-agenda.pdf>



Contact us

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

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