



# **ANNUAL REPORT 2020**

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## WHO WE ARE

Established in 2006, the International Forum of Independent Audit Regulators (IFIAR) comprises independent audit regulators from 54 jurisdictions representing Africa, North America, South America, Asia, Oceania, and Europe. IFIAR's mission is to serve the public interest, including investors, by enhancing audit oversight globally. In fulfilling our mission, we strive to drive improvements to audit quality, both globally and in each of our member's jurisdictions.

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*IFIAR's mission is to serve the public interest, including investors, by enhancing audit oversight globally.*

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Investors and other stakeholders rely on high quality financial reporting. Along with management, audit committees, other directors, standard setters and regulators, auditors play a critical role in helping promote high quality financial reporting. By providing investors with independent assurance on the integrity of reported financial results, auditors across the globe contribute to the effective and efficient allocation of capital and to international financial stability and economic growth.

IFIAR contributes to high quality auditing through enhancing the independent audit regulatory oversight capabilities of its members, and by regularly engaging with global network firms to influence their continual improvements to audit quality.

We enhance the capabilities of our members through consultative assistance, training, and a collaborative knowledge-sharing network. The ultimate goal is for this collective wisdom to influence audit oversight worldwide and advance sustainable, high quality audits. IFIAR's first Strategic Plan covers the period April 2018 to March 2021 and outlines our core strategies to realize the following strategic objectives:

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*Strategic Objectives:*

- 1. Achieve significantly improved audit quality globally*
  - 2. Enhance capabilities for independent audit oversight*
  - 3. Grow the membership*
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# In Memoriam

In October, Frank Schneider, our IFIAR Chair, sadly passed away.

Frank was a recognized global leader in advocating for high quality auditing, and he played a key role over many years in visioning and advancing IFIAR's strategic objectives and priorities.

Frank was passionate about IFIAR delivering value through active engagement and exchange of knowledge and insights with its Members and key stakeholders across the globe.

Frank made significant contributions to advancing IFIAR's mission and effectiveness, thereby playing an important role in promoting sustainable quality improvements in global auditing and audit oversight - a praiseworthy and lasting legacy.

We are grateful for and honor Frank's contributions to IFIAR.



*Frank Schneider (1968- 2020)*

Frank Schneider was elected as IFIAR Chair at the 2019 IFIAR Plenary Meeting.

Prior to this, Frank had been actively involved with IFIAR over the past decade. Frank served as Vice Chair from 2017-2019, overseeing an important stage in IFIAR's development, which included the establishment of a fully staffed Secretariat in Tokyo, Japan, and as Treasurer of the IFIAR Verein from 2010-2017.

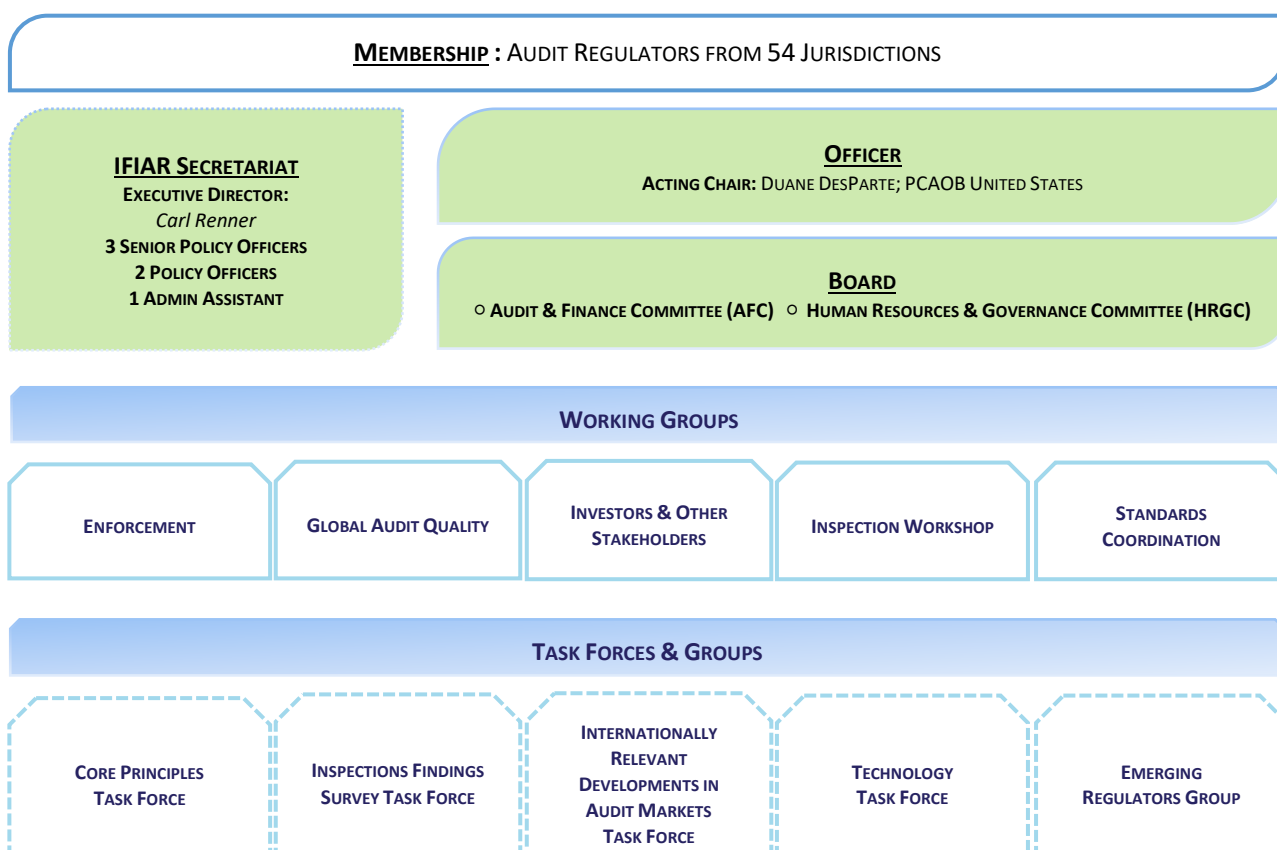
Frank served as the founding Chief Executive Officer of the Federal Audit Oversight Authority (FAOA) of Switzerland since its creation in 2006, shaping the structure of the FAOA which now benefits from a team of 30 people. In 2007, Frank led the FAOA to join the then recently established IFIAR.

## Our Leadership

Since April 2017, IFIAR has been governed by a Board consisting of up to 16 Member organizations. Members elected the late Frank Schneider, CEO of the Swiss Federal Audit Oversight Authority (FAOA) as Chair and Duane DesParte, Board Member of the United States Public Company Accounting Oversight Board (PCAOB) as Vice Chair of IFIAR in 2019. They serve a 2-year term which ends in April 2021. Upon Mr. Schneider's untimely passing in October 2020, Mr. DesParte became Acting Chair in accordance with IFIAR's Charter. Carl Renner was appointed as Executive Director in 2017, and is responsible for leading the IFIAR Secretariat based in Tokyo. The Executive Director is accountable to the Chair, Vice Chair, and Board.

The IFIAR Board plays a key role in IFIAR's governance structure and is responsible for developing IFIAR's strategy and determining annual operating priorities. The IFIAR Board is supported by its two Committees, the Audit and Finance Committee (AFC) and the Human Resources and Governance Committee (HRGC), to oversee the implementation of the organization's Strategic Plan and the work of the Officers, the Executive Director and the Secretariat, Working Groups and Task Forces.

The charts below detail IFIAR's organizational structure and details in relation to the Working Groups and Task Forces:



	Enforcement WG (EWG)	Global Audit Quality WG (GAQWG)	Investor & Other Stakeholder WG (IOSWG)	Inspection Workshop WG (IWWG)	Standards Coordination WG (SCWG)
<b>Leadership</b>	Chair: Reto Sanwald, FAOA, Switzerland Vice Chair: Takashi Nagaoka, JFSA, Japan	Chair: William Di Cicco, H3C, France Vice Chair: Rebekah Goshorn Jurata, PCAOB, USA	Chair: J. Robert Brown, Jr., PCAOB, USA Vice Chair: Peter Hofbauer, APAB, Austria	Chair: Askin Akbulut, AOB, Germany	Chair: Martijn Duffels, AFM, The Netherlands
<b>Composition</b>	Members: Australia, Canada, Chinese Taipei, Finland, France, Georgia, Germany, Japan, South Africa, Switzerland, United Kingdom, United States	Members: Australia, Canada, France, Germany, Japan, The Netherlands, Singapore, Switzerland, United Kingdom, United States	Members: Austria, Canada, France, Italy, Japan, Korea, The Netherlands, Singapore, South Africa, United Kingdom, United States	Members: Abu Dhabi, France, Germany, Japan, Luxembourg, South Africa, Switzerland, United Kingdom, United States	Members: Australia, Brazil, Canada, France, Germany, Italy, Japan, South Africa, Spain, United Kingdom, United States
<b>Responsibility</b>	Forum for IFIAR Members' enforcement officials to exchange views and information on enforcement systems for investigating and adjudicating alleged auditor misconduct.	Responsible for IFIAR's ongoing dialogue with the GPPC member firms, which comprise the six largest international audit networks to promote continuous improvement in audit quality.	Responsible for maintaining dialogue with investors, audit committees and other stakeholders on matters relevant to audit quality and initiatives to improve audit quality.	Responsible for developing an annual forum for Members to share inspection practices to promote more effective inspection programs.	Responsible for providing input and feedback to standard setters on various pronouncements from an audit quality perspective, and providing a forum for IFIAR Members to discuss and share views about such pronouncements.

	Inspection Findings Survey TF (IFSTF)	Internationally Relevant Developments in Audit Markets TF (IRDAMTF)	Core Principles TF (CPTF)	Technology TF (TTF)	Emerging Regulators Group (ERG)
<b>Leadership</b>	Lead: Liza McAndrew Moberg (to June 2020) PCAOB, USA; Juli Ravas (from 2020), PCAOB, USA	Lead: Gerben Everts (to Nov 2020), AFM, The Netherlands; Acting Lead: Martijn Duffels (from Nov 2020), AFM, The Netherlands	Lead: Ralf Bose (to Dec 2020), AOB, Germany; Julia Rendschmidt (from December 2020), AOB, Germany	Lead: Jeremy Justin, CPAB, Canada	Lead: Jacco Moison, FMA, New Zealand
<b>Composition</b>	Members: Australia, Canada, France, Germany, Japan, The Netherlands, United Kingdom, United States	Members: Abu Dhabi, Albania, Canada, France, Ireland, Italy, Japan, New Zealand, Norway, The Netherlands, Saudi Arabia, United Kingdom, United States	Members: Brazil, Dubai, France, Germany, Switzerland, United States	Members: Canada, Ireland, Italy, The Netherlands, Singapore, South Africa, United Kingdom	Members: Cyprus, Georgia, Ireland, Mauritius, New Zealand, Philippines
<b>Responsibility</b>	Responsible for conducting and reporting the outcomes of IFIAR's annual Inspection Findings Survey, which collects data on key results from IFIAR Members' inspections of audit firms' systems of quality control and audits of listed PIEs.	Initiative to monitor and share information on relevant developments within IFIAR Member jurisdictions, and assess their potential impacts on audit markets and audit quality.	Initiative to review the IFIAR Core Principles, to ensure they remain relevant and fit for purpose, given the evolving landscape of audit and audit oversight.	Initiative to explore the audit quality impact of technology audit tools used widely around the world by the six largest audit firm networks.	Support network to assist smaller and emerging audit regulators to address the unique challenges they face, and to provide a forum for smaller Members to identify ways IFIAR may be able to further support their needs.

## MESSAGE TO OUR MEMBERS AND STAKEHOLDERS

For everyone, including IFIAR and our Member audit regulators, 2020 was a most unique and challenging year, dominated by the COVID-19 pandemic.

Sadly, during the year, we also experienced the loss of our Chair, Frank Schneider, who passed away in October. As noted in the Memorium on page 4, Frank was committed to advancing IFIAR's mission and effectiveness, and we are grateful for and honor his many contributions.

Despite these challenges, we believe IFIAR continued to make progress in 2020 in advancing our strategic objectives, including in developing our second strategic plan for the period 2021-2026, which we will begin implementing in 2021.

This new strategy continues to emphasize IFIAR's primary focus on helping Members build their audit oversight capabilities. It also reinforces IFIAR's role in promoting sustainable improvement in audit quality, both by helping its Members be more effective in their audit oversight, and by continuing to proactively engage with the Global Public Policy Committee (GPPC) network firms and other key stakeholders with an interest in audit quality, such as international regulators and standard setters, investors and others.

Notably, as previously announced, in 2020 IFIAR and the GPPC network firms agreed to renew an initiative to further improve audit quality as evidenced by a reduction in the percentage of audits inspected with findings by at least 25% over four years (using the 2019 IFIAR Inspection Finding Survey results as a baseline). Nearly half of IFIAR's Members have elected to participate in the new metric, and we call on the firms to continue to improve their audit effectiveness to achieve this new target over the coming years.

### *Key 2020 Activities*

During 2020, despite the challenges presented by COVID-19, we focused on continuing to engage with our Members and other key stakeholders, often leveraging our website and videoconferencing. In all of our activities, our first priority has been to ensure the health and well-being of our Members, our Secretariat and other stakeholders with whom we regularly engage. Similar to many of our Members, the Secretariat staff commenced working remotely in early March. From March onwards, IFIAR no longer held in-person meetings, and we strived to conduct our activities virtually where feasible. Regrettably, given the many uncertainties we faced at the start of the pandemic, we decided to cancel the 2020 Plenary Meeting originally scheduled for April. We also took steps where necessary to appropriately adjust our usual IFIAR and working group and task force activities.

At the start of the pandemic, we gathered and shared information on effective auditing and audit oversight in a COVID-19 environment, and we held virtual meetings for Members with leadership of each of the GPPC network firms to understand audit and accounting challenges and firm responses

and actions in this environment. Importantly, we reinforced to the firms the importance, despite these new challenges, of performing high quality audits in compliance with standards, including exercising heightened professional skepticism in response to new or increased financial reporting, controls, going concern, fraud or other risks faced by public interest entities (PIEs).

To further inform our Members, the United Kingdom Financial Regulatory Commission (FRC) and the Dutch Authority for the Financial Markets (AFM) shared national regulatory updates in a virtual session; the New Zealand Financial Markets Authority (FMA) hosted a training session for inspections staff on the topic of going concern; and in early 2020, the United States Public Company Accounting Oversight Board (PCAOB) hosted an Inspection Workshop in Washington, D.C.

The IFIAR Board, Working Groups, and Task Forces also successfully continued meeting virtually, and we continued our engagement with outside stakeholders virtually where possible. Of note, the GAQWG met with each of the GPPC network firms in September and October, focusing on quality control matters and the firms' progress in implementing IAASB's new quality management auditing standard, ISQM1. We also participated in virtual meetings of the Monitoring Group and a virtual roundtable on external audit hosted by the Financial Stability Board. IFIAR continued to review and comment on audit and ethics standards proposed by IAASB and IESBA, and we continued to engage with the investor and audit committee members on our Investor and Other Stakeholder Advisory Group.

We thank IFIAR's Members, Working Groups, Task Forces, Board, Board Committees and Secretariat for their many contributions in 2020, and the Japan Financial Services Agency (JFSA) and the Certified Public Accountants & Auditing Oversight Board (CPAFOB) for their ongoing hosting of the Secretariat in Tokyo, Japan.

In 2021, we look forward to continuing to proactively engage with our Members and other key stakeholders across the globe to contribute to more effective audit oversight and to promote sustainable improvement in audit quality.

**Duane M. DesParte**  
IFIAR Acting Chair



**Carl Renner**  
Executive Director





# DELIVERING IFIAR'S STRATEGY

The 2018-21 IFIAR Strategic Plan (Strategic Plan) was adopted by the Members at the 2018 IFIAR Plenary Meeting and through 2020 has provided a roadmap for IFIAR to shape international dialogue on audit oversight and initiate and coordinate strategic initiatives by Members and key stakeholders which have a material impact on audit quality.

IFIAR's Strategic Objectives, as outlined in the Strategic Plan have been to:

1. Achieve significantly improved audit quality on a global basis
2. Enhance capabilities for independent audit oversight
3. Grow the membership

To achieve these Strategic Objectives, IFIAR has focused on the following four core strategies:

1. Facilitate collaboration and knowledge sharing between Members
2. Develop strategic relationships with investors and other key stakeholders, including standard setters, and maintain effective communications with global network firms
3. Implement sustained targeted outreach to Members and prospective Members
4. Establish an effective and efficient Board, Working Group, Task Force and Secretariat structure which enables coordinated high impact initiatives to achieve the strategic objectives

The information below outlines the key actions implemented by IFIAR in 2020 to deliver against each of these core strategies:

## **Core Strategy 1: Facilitate collaboration and knowledge sharing between Members**

- IWWG conducted 2020 Inspection Workshop to share with Members inspection experiences and approaches and provide training to Members' staff.
- Provided forum on website for Members to share information on effective auditing and audit oversight in the COVID-19 environment.
- Established Technology Task Force to address technology tools used by GPPC network firms, inspection approaches taken by Members, and results of inspections / reviews of tools.
- IRDAM TF surveyed and provided a report to Members on initiatives to evaluate audit market structures and implications for audit quality in various local national jurisdictions.
- EWG continued providing Members information on legal issues and approaches taken in high-profile and landmark auditing enforcement and liability cases.
- EWG surveyed Members on experiences in obtaining audit documentation from domestic audit firms.
- International Cooperation Working Group (ICWG - now inactive) prepared a paper on Remote Access in Cross-Border Inspections to share practical approaches for Members to consider when conducting remote inspections.

- IOSWG launched a dedicated page on the IFIAR website for Members to share practical examples of stakeholder outreach activities.
- Developed and provided guidance to Members on developing crisis management plans.
- Facilitated and encouraged Members to share information on their latest oversight initiatives or on other relevant audit quality matters, including an update on selected national regulatory developments and a training session for inspections staff on going concern.

### **Core Strategy 2: Further strategic relationships with investors and maintain effective communications with global audit network firms and other key stakeholders including the IFIAR Observer organizations**

- Reached agreement with GPPC network firms to renew initiative to further improve audit quality as evidenced by 25% reduction in audits with inspection findings over four years.
- GAQWG engaged virtually with GPPC network firms on:
  - audit challenges and related responsive actions in the COVID-19 environment
  - quality control matters and progress in implementing IAASB's ISQM
- Published the 2019 Inspection Findings Survey Report (February 17, 2020).
- SCWG representatives engaged regularly with representatives of IAASB and IESBA on COVID matters, ongoing projects and IAASB-roundtables.
- Published comment letters developed by SCWG on IAASB and IESBA exposure drafts addressing audits of group financial statements, non-assurance services and fee-related provisions.
- IOSWG conducted a survey of global investors on the role of the auditor in the detection and reporting of potential fraud and other illegal acts, and provided survey insights to Members.
- Published the "Information Paper: Facilitating Oversight of Global Audit Firm Networks", which explores how high quality financial reporting, aided by audits and local national audit oversight, contributes to global financial stability and how IFIAR serves as a forum for Members to share knowledge and experiences and engage with global network firms.
- As a member of the Monitoring Group, actively contributed to discussions and supported MG Paper recommending reforms to foster more independent audit and ethics standard setting in the public interest. Also commenced contributing to annual funding of the Public Interest Oversight Body (PIOB).
- Participated in annual FSB virtual round-table addressing auditing challenges given the economic downturn, and provided insights on inspections of auditing of expected credit losses.

### **Core Strategy 3: Implement sustained targeted outreach to Members and prospective Members**

- Conducted second Member Survey seeking feedback on the value of IFIAR membership and suggestions for improvement.
- Performed targeted outreach to Members to promote increased awareness of and participation in IFIAR activities.
- Engaged with remaining G20 and other targeted countries with independent oversight programs about potential IFIAR membership.
- Provided direction and guidance to audit regulators that have applied or have expressed interest in applying for membership.

### **Core Strategy 4: Establish an effective and efficient Board, Working Group, Task Force and Secretariat structure which enables coordinated high impact initiatives to achieve the strategic objectives**

- Finalized review and development of Working Group and Task Force Governance framework.
- Designed and conducted a more robust Effectiveness Review to seek Member feedback on the performance of IFIAR's Board, Officers, Board Committees, Working Groups, Task Forces and WG Chairs and TF Leads.
- Completed a post-implementation review of the IFIAR governance structure adopted in 2017.
- Engaged external legal firm to evaluate IFIAR's compliance with applicable laws, regulations and other requirements, noting no instances on non-compliance.
- Finalized IFIAR's Risk Management Policy and updated IFIAR's internal risk register.
- Finalized a Remuneration Framework policy to govern compensation and benefit practices for Secretariat employees.
- Continued reviewing the IFIAR Core Principles to ensure they remain relevant and fit for purpose.

# GOVERNANCE REPORTING

The IFIAR Board consists of 16 IFIAR Members:

<b>IFIAR Board</b>			
Abu Dhabi (ADAA)	Chinese Taipei (FSC)	Japan (JFSA/CPAAOB)	South Africa (IRBA)
Australia (ASIC)	France (H3C)	Netherlands (AFM)	Turkey (CMB)
Brazil (CVM)	Germany (AOB)	Singapore (ACRA)	United Kingdom (FRC)
Canada (CPAB)	Greece (HAASOB)	Switzerland (FAOA)	United States (PCAOB)

<b><u>Audit &amp; Finance Committee</u></b>
Chair: Imre Nagy (IRBA - July 2020 onwards), previously Bernard Agulhas (IRBA)
South Africa (IRBA)
Abu Dhabi (ADAA)
Australia (ASIC)
Chinese Taipei (FSC)
Greece (HAASOB)

<b><u>Human Resources &amp; Governance Committee</u></b>	
Chair: William Di Cicco (H3C)	
France (H3C)	Switzerland (FAOA)
Brazil (CVM)	Turkey (CMB/POA)
Germany (AOB)	
Japan (JFSA/CPAAOB)	
Singapore (ACRA)	

The Board met 6 times during 2020, with one in-person meeting (January 2020) and the rest by tele / video conference due to COVID-19 in-person meeting restrictions. Some of the key governance matters discussed and agreed on at Board meetings during 2020 included the following:

- Response to COVID-19 pandemic, focused on ensuring the health and well-being of Secretariat Staff and Members and developing alternative approaches to conducting IFIAR activities and meetings given decision to cease travel and in-person gatherings;
- Response to the passing of Frank Schneider, IFIAR Chair, and the associated governance and leadership matters;
- Monitoring achievement of 2018-2021 Strategic Plan objectives through the delivery of the annual Operating Plan;
- Development of the 2021-2026 Strategic Plan, for Membership approval;
- Consideration of Member feedback on the value of IFIAR membership via the biennial Member Survey conducted in 2020;
- Resolution of the International Cooperation Working Group (ICWG) and formation of a MMOU Assessment Team to conduct future reviews of MMOU applications;
- Formation of the Technology Task Force (TTF);
- Consideration of membership applications and member outreach activities;
- Approval of various Board Committee matters, including HRGC and AFC Membership and Chair Appointments, the Remuneration Framework and related policies developed by the HRGC, the expanded IFIAR Effectiveness Review Process developed by the HRGC, an amendment to the Secondment Policy under the purview of the HRGC, and a Risk Management Policy developed by the AFC;
- Development of Effectiveness Reviews conducted for the first time in 2020 to obtain feedback on the effectiveness of the IFIAR Board, Officers, Board Committees and Working Groups/Task Forces and their respective leadership; and
- Approval of a high-level guidance document for Members on developing crisis management plans.

# FINANCIAL HIGHLIGHTS

## Financial Statements Highlights

IFIAR established a General Incorporated Association (GIA) under Japanese law on January 4, 2017. IFIAR Association, in which IFIAR's Members are members, serves as the legal entity IFIAR uses for contracting purposes.

IFIAR Association is not subject to statutory audit, however, the members of IFIAR Association elect to have its financial statements audited. Mazars Audit LLC serves as IFIAR Association's auditor.

The income of IFIAR Association is primarily Membership fees and subsidies from IFIAR Members and the expenses are the operating costs of running the Secretariat such as office, staff and administrative costs together with travel costs. Travel expenses were significantly lower in 2020 due to cancellation or the virtual nature of meetings and events, whereas other expenses were generally unaffected by the COVID pandemic.

## Member Support

IFIAR, whose operations are distinct from the IFIAR Association, relies on Members' voluntary contributions, including staff time and expenses for a variety of IFIAR activities including Board and Board Committee meeting preparation and attendance, Working Group and Task Force participation, meeting and workshop hosting and participation, and outreach. These activities are directly funded by the Members providing the resources (generally a combination of staff resources, travel costs, and event hosting costs). Member support during 2020 included:

- Hosting a Board meeting and IRDAM TF meeting in Abu Dhabi, by ADAA (January 2020)
- Hosting the 2020 Inspection Workshop in Washington DC, United States by PCAOB (February 2020)
- The Officers' organizational support provided by FAOA and PCAOB
- Chairing and provision of administrative support of various Working Groups, Task Forces and other work streams by CPAB, H3C, AOB, AFM, FMA, FAOA, FRC and PCAOB
- Participation on the Board by ADAA, ASIC, CVM, CPAB, FSC, H3C, AOB, HAASOB, JFSA/CPAAOB, AFM, ACRA, FAOA, IRBA, POA/CMB, FRC, and PCAOB
- Financially supported staff secondments by the JFSA/CPAAOB
- Participation of many Members in Working Groups, Task Forces and other IFIAR activities

Members contribute support directly to IFIAR, as such support relates to activities of the membership forum IFIAR. Because such support is neither provided nor related to the IFIAR Association, such contributions are not reflected in the IFIAR Association's financial statements.

The IFIAR Association Financial Statements were approved by the Membership in April 2021.

# STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL REPORT AND FINANCIAL STATEMENTS

## Responsibilities under the IFIAR Charter

The IFIAR Officers are responsible for preparing the Annual Report, including the financial statements, for approval by the IFIAR Board, including determination of its distribution, in accordance with the IFIAR Charter.

## Responsibilities under relevant laws and regulations

The Directors of the International Forum of Independent Audit Regulators Association (IFIAR Association) are responsible for preparing a Business Report and Financial Statements, in accordance with the IFIAR Association Articles of Association and applicable laws and regulations, to be presented to the IFIAR Association Members. The Members are required to approve the Financial Statements at the Association's Annual General Assembly Meeting. The IFIAR Annual Report includes the required content for Business Reports.

The Act on General Incorporated Associations and General Incorporated Foundations requires the Directors to prepare financial statements for each financial year in accordance with relevant Generally Accepted Accounting Principles. In preparing the financial statements, the Directors have elected to apply International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs).

## Preparation of the financial statements

In preparing the financial statements, the Directors of IFIAR Association are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS for SMEs subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that IFIAR Association will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

## IFIAR Association Director Confirmations

Each of the Directors of IFIAR Association, whose names are listed in Note 1 to the financial statements confirms that:

- IFIAR Association is financially sound and has adequate resources to continue operating for the foreseeable future; and
- to the best of their knowledge, the financial statements, which have been prepared in accordance with IFRS for SMEs, give a true and fair view of the financial position and financial performance of IFIAR Association.

Signed on behalf of the Directors of IFIAR Association:

A handwritten signature in black ink that reads "Duane M. DesParte". The signature is written in a cursive style with a large, looped initial 'D'.

**Duane M. DesParte**

Acting Chair of IFIAR Board and Representative Director of IFIAR Association

March 1, 2021

# INDEPENDENT AUDITOR'S REPORT

International Forum of Independent Audit Regulators Association

For the attention of the Directors

18th Floor Otemachi Financial City Grand Cube

1-9-2 Otemachi, 100-0004 Chiyoda-ku

Tokyo

## Opinion

We have audited the financial statements of the International Forum of Independent Audit Regulators Association (IFIAR Association), which comprise the statement of financial position as at December 31, 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of IFIAR Association as at December 31, 2020, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standard for SMEs (IFRS for SMEs).

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of IFIAR Association in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS for SMEs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing IFIAR Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate IFIAR Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing IFIAR Association's financial reporting process.



### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

*Mazars Audit LLC*

March 1<sup>st</sup>, 2021

Mazars Audit LLC

ATT New Tower, 11F

2-11-7 Akasaka, Minato-ku

Tokyo, 107-0052

Japan

# FINANCIAL STATEMENTS

## INTERNATIONAL FORUM OF INDEPENDENT AUDIT REGULATORS ASSOCIATION FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020 JPY	2019 JPY
<b>Revenue</b>	3	<b>226,039,574</b>	<b>223,066,352</b>
<b>OPERATIONAL EXPENDITURE</b>			
Salaries and employee benefits	4,5	129,221,297	102,814,406
Recruitment costs		-	436,214
Travel expenses		4,416,283	20,999,232
Plenary host and meeting expenses		4,358,383	1,170,119
Audit expenses		2,004,912	1,996,280
Information technology and communication expenses		5,474,198	5,503,159
Professional fees		7,175,523	4,541,036
Other expenses		2,450,032	3,642,107
Office supplies		734,643	1,169,868
Rental and maintenance expense	5	10,786,453	10,784,258
Depreciation	6	12,775,306	15,392,946
Foreign exchange loss		260,817	56,121
PIOB funding	10	6,150,000	-
<b>Total operational expenditure</b>		<b>185,807,847</b>	<b>168,505,746</b>
<b>Operating surplus</b>		<b>40,231,727</b>	<b>54,560,606</b>

INTERNATIONAL FORUM OF INDEPENDENT AUDIT REGULATORS ASSOCIATION  
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

	Note	2020 JPY	2019 JPY
<b>ASSETS</b>			
<b>Non-current assets</b>			
Deposits	5(c)	11,722,734	11,730,734
Property, plant and equipment	6	22,771,466	34,505,974
		34,494,200	46,236,708
<b>Current assets</b>			
Accounts and other receivables	9	-	111,789
Prepaid expenses		3,183,488	6,875,799
Cash and cash equivalents	7	379,423,832	321,123,957
		382,607,320	328,111,545
<b>Total assets</b>		<b>417,101,520</b>	<b>374,348,253</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Asset retirement obligation	5(d)	16,571,520	16,571,520
		16,571,520	16,571,520
<b>Current liabilities</b>			
Accounts and other payables		8,722,063	2,598,635
Accruals		4,800,854	4,413,239
Deferred income	8	33,802,781	37,792,284
		47,325,698	44,804,158
<b>Total liabilities</b>		<b>63,897,218</b>	<b>61,375,678</b>
<b>EQUITY</b>			
Retained surplus		353,204,302	312,972,575
<b>Total liabilities and equity</b>		<b>417,101,520</b>	<b>374,348,253</b>

INTERNATIONAL FORUM OF INDEPENDENT AUDIT REGULATORS ASSOCIATION  
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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

	Total JPY
Balance as at December 31, 2018	258,411,969
Surplus for the year	<u>54,560,606</u>
Balance as at December 31, 2019	<b>312,972,575</b>
Balance as at December 31, 2019	312,972,575
Surplus for the year	<u>40,231,727</u>
Balance as at December 31, 2020	<u><b>353,204,302</b></u>

INTERNATIONAL FORUM OF INDEPENDENT AUDIT REGULATORS ASSOCIATION  
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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020 JPY	2019 JPY
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Total operating surplus for the year		40,231,727	54,560,606
<b>Adjustments for:</b>			
Depreciation	6	12,775,306	15,392,946
Decrease in accounts and other receivables		111,789	1,752,034
Increase / (Decrease) in accruals		387,615	(841,462)
(Decrease) / Increase in deferred income	8	(3,989,503)	3,015,794
Decrease in deposits	5	8,000	-
Increase in accounts and other payables		6,123,428	1,223,095
Decrease in prepaid expenses		3,692,311	278,417
<b>Net cash from operating activities</b>		<b>59,340,673</b>	<b>75,381,430</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	6	(1,040,798)	(2,495,021)
<b>Net cash used in investing activities</b>		<b>(1,040,798)</b>	<b>(2,495,021)</b>
<b>Net increase in cash and cash equivalents</b>		<b>58,299,875</b>	<b>72,886,409</b>
Cash and cash equivalents at the beginning of the year		321,123,957	248,237,548
<b>Total cash and cash equivalents at end of the year</b>		<b>379,423,832</b>	<b>321,123,957</b>

INTERNATIONAL FORUM OF INDEPENDENT AUDIT REGULATORS ASSOCIATION  
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NOTES TO THE FINANCIAL STATEMENTS

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**1. General information and purpose of the organization**

The International Forum of Independent Audit Regulators Association (IFIAR Association) was established on January 4, 2017 in Tokyo, Japan and serves as the legal entity the International Forum of Independent Audit Regulators (IFIAR) uses for collecting and recognising membership fees and for contracting purposes to engage in financial transactions such as employing individuals for the Secretariat, paying suppliers in relation to Secretariat infrastructure and costs. The IFIAR Association's financial statements relate to only part of the resources needed for IFIAR activities, being those contracted through the IFIAR Association.

Activities performed by, and resources provided by, IFIAR Members (e.g. Board participation, Working Group participation, etc.) are deemed as being contributed to IFIAR and are not recorded in the IFIAR Association's financial statements unless a contract is entered into with the IFIAR Association with quantifiable amounts.

The Directors of the IFIAR Association are Duane DesParte, William Di Cicco and Imre Nagy. Imre Nagy was appointed as a non-representative director following the cessation of Frank Schneider's representative directorship as of October 5, 2020, upon his passing.

The IFIAR Association satisfies the requirements to be treated as a non-profit General Incorporated Association under the Japanese Corporation Tax Legislation. Therefore, the IFIAR Association is taxed to the extent that it carries out a profit-making business. The IFIAR Association does not engage in any profit-making business.

**2. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below.

**2.1 Basis of presentation**

The financial statements of the IFIAR Association have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board and are consistent with the previous period. The financial statements, except for Statement of Cash Flows, have been prepared on an accrual basis with all assets, liabilities, equity, income and expenses recognized when they satisfy the definitions and recognition criteria for those items.

**2.2 Cash and cash equivalents**

The measurement basis for cash and cash equivalents is the balance recorded in the IFIAR Association's bank account. These balances are denominated in Japanese Yen (JPY).

**2.3 Receivables**

Receivables are initially measured at the transaction price. At the end of each reporting period, the carrying amounts of receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in Statement of Comprehensive Income.

## 2.4 Revenue recognition

All revenues are measured at the fair value of the consideration received or receivable. Membership fees are recognized on a straight-line basis over the membership period. Host subsidies are recognized when there is reasonable assurance that the grant will be received. Secondment subsidies are recognized on a straight-line basis over the secondment period. Interest income is recognized when earned.

## 2.5 Foreign currency translation

The functional and presentation currency for the IFIAR Association is the JPY. Foreign currency transactions are initially recorded by applying the average exchange rate for the month in which the transaction occurred. Monetary assets and liabilities denominated in a foreign currency are translated into JPY using the exchange rate at the reporting date.

## 2.6 Property, plant and equipment

### Definition

Property, plant and equipment are non-current assets that are held for use for the IFIAR Association's administrative purposes and are expected to be used for more than one year.

### Recognition and initial measurement

The IFIAR Association recognizes the cost of property, plant and equipment as an asset when it is probable that future economic benefits associated with the item purchased will flow to the entity and the cost of the item can be measured reliably. Property, plant and equipment are initially measured at cost.

### Subsequent measurement

The IFIAR Association measures property, plant and equipment after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. Property, plant and equipment are generally depreciated on a straight-line basis over their expected useful lives. Leasehold improvements are depreciated over the shorter of the expected useful lives and the lease terms. The straight-line method reflects the pattern in which the IFIAR Association expects to consume the asset's future economic benefits. The useful lives of items of property, plant and equipment have been assessed as follows:

Category:	Useful life
Leasehold improvements	5 years
Furniture and fittings	10 years
Information Technology (IT) hardware	3 years

If there is an indication that there has been a significant change in the useful life of an asset, the depreciation of that asset is revised prospectively to reflect the new estimate.

## 2.7 Government assistance

Grants from the Government of Japan, which are paid to the IFIAR Association by the Japan Financial Services Agency (JFSA)/ the Certified Public Accountants & Auditing Oversight Board (CPAFOB), are recognized as revenue when there is reasonable certainty that the grant will be received. The Government of Japan has not imposed any future performance conditions on IFIAR Association to receive these grants.

The amount is fixed for five years at JPY 85,527,000 per annum with the first review of the subsidy amount required for the period 2022 to 2026. JFSA/CPAFOB will continue to provide annual contributions as long as the Secretariat is based in Japan.

## 2.8 Operating leases

The IFIAR Association classifies a lease as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership and recognizes lease payments under operating leases (excluding costs for services such as insurance and maintenance) as an expense over the lease term on a straight-line basis.

## 3. Revenue

Revenue comprises membership fees, subsidies from the Government of Japan and interest income.

Membership fees include those invoiced for the financial year, including members that joined and left IFIAR during the year for whom the fees are pro-rated for the period of membership. In 2020, membership fees were received from 55 (2019: 55) member jurisdictions.

Subsidies include an annual contribution of JPY 85,527,000 in each year (see Note 2.7), and a further subsidy was received in relation to a seconded staff Member since May 2018.

	2020	2019
	JPY	JPY
Membership fees	131,029,138	131,216,566
Subsidies / Government grants	95,007,000	91,847,000
Interest income	3,436	2,786
	<u>226,039,574</u>	<u>223,066,352</u>

## 4. Salaries and employee benefits

	2020	2019
	JPY	JPY
Gross salaries	95,001,378	71,310,949
Health and pension insurance	6,709,957	5,516,192
Staff welfare	22,169,849	21,434,417
Other employee benefits	5,340,113	4,552,848
<b>Total salaries and employee benefits</b>	<u>129,221,297</u>	<u>102,814,406</u>

Of which:

<b>Compensation paid to Key Management Personnel</b>	<u>36,509,728</u>	<u>35,907,108</u>
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## 5. Lease related disclosures

### a. Operating lease commitments

At year-end, total outstanding commitments for the IFIAR Association under non-cancellable operating leases were as follows:

#### Properties

	2020 JPY	2019 JPY
Payments within 1 year	15,189,456	15,189,456
Payments later than 1 year but within 5 years	-	9,669,456
<b>Total</b>	<b>15,189,456</b>	<b>24,858,912</b>

#### Office Equipment

	2020 JPY	2019 JPY
Payments within 1 year	152,928	152,928
Payments later than 1 year but within 5 years	38,232	191,160
<b>Total</b>	<b>191,160</b>	<b>344,088</b>

### b. Operating lease expenses

Lease payments recognized as an expense during the year amounted to JPY 15,342,384 (2019: JPY 15,222,384), as detailed below.

Statement of Comprehensive Income line item in which lease expenses are included	Leased item	2020 JPY	2019 JPY
Rental and maintenance expense	Office and photocopier	9,822,384	9,822,384
Salaries and employee benefits	Residential leases	5,520,000	5,400,000
		<b>15,342,384</b>	<b>15,222,384</b>

### c. Security deposits

Security deposits of JPY11,722,734 (2019: JPY 11,730,734) were paid with regard to the office lease and residential leases for three employees.

### d. Asset retirement obligation

The office lease includes provisions requiring IFIAR Association to return the premises to the condition they were at the time of entering the lease. Therefore, an asset retirement obligation and related leasehold improvement of JPY16,571,520 (2019: JPY 16,571,520) has been recognized in the Statement of Financial Position. The obligation crystallizes when IFIAR Association exits the premises, the timing of which is uncertain.

## 6. Property, plant and equipment

	Leasehold Improvements JPY	Furniture & fixtures JPY	IT Equipment JPY	Total JPY
Cost at January 1, 2020	48,758,382	14,528,144	13,084,715	76,371,241
Additions	-	-	1,040,798	1,040,798
Cost at December 31, 2020	48,758,382	14,528,144	14,125,513	77,412,039
Accumulated depreciation at January 1, 2020	(26,810,370)	(3,589,344)	(11,465,553)	(41,865,267)
Depreciation	(9,751,680)	(1,452,816)	(1,570,810)	(12,775,306)
Accumulated depreciation at December 31, 2020	(36,562,050)	(5,042,160)	(13,036,363)	(54,640,573)
<b>Net book value at December 31, 2020</b>	<b>12,196,332</b>	<b>9,485,984</b>	<b>1,089,150</b>	<b>22,771,466</b>
Cost at January 1, 2019	48,742,182	12,579,824	12,554,214	73,876,220
Additions	16,200	1,948,320	530,501	2,495,021
Cost at December 31, 2019	48,758,382	14,528,144	13,084,715	76,371,241
Accumulated depreciation at January 1, 2019	(17,059,770)	(2,201,472)	(7,211,079)	(26,472,321)
Depreciation	(9,750,600)	(1,387,872)	(4,254,474)	(15,392,946)
Accumulated depreciation at December 31, 2019	(26,810,370)	(3,589,344)	(11,465,553)	(41,865,267)
<b>Net book value at December 31, 2019</b>	<b>21,948,012</b>	<b>10,938,800</b>	<b>1,619,162</b>	<b>34,505,974</b>

## 7. Cash and cash equivalents

Cash is held in a current bank account denominated in JPY. There are no restrictions for the use of cash.

## 8. Deferred income

Deferred income relates to membership fees received in advance from members.

### **9. Related party transactions**

IFIAR Association conducts transactions with the Members of IFIAR Association (who are also Members of IFIAR). All revenues (including the subsidies but excluding interest income) are received from Members (ref. note 3). Accounts and other receivables balances in each year relate to amounts due from related parties which were settled subsequent to each year-end. Compensation paid to Key Management Personnel is disclosed in note 4. In 2020, none (2019 JPY 869,605) of the operating expenses were paid to the organizations of the Chair and Vice-Chair of IFIAR as a contribution towards their travel costs in relation to IFIAR activities. In 2020, JPY 3,967,231 was reimbursed to the Federal Audit Oversight Authority (FAOA) of Switzerland to support a portion of the costs incurred as host of an IFIAR Plenary meeting.

### **10. PIOB Funding**

The Public Interest Oversight Board (PIOB) was formally established in February 2005 as part of the International Federation of Accountants (IFAC) Reform Proposals with the objective to increase investor and other stakeholder confidence that IFAC's public interest activities, including standard setting by IFAC's independent boards, are properly responsive to the public interest.

IFIAR Association decided in April 2020 to provide the PIOB with a direct financial contribution to support the PIOB's operating budget, starting in 2020.

### **11. Subsequent event**

On January 7, 2021, a retirement benefit scheme for Secretariat employees was approved. Retirement benefits are payable to eligible employees when their employment ends and if they have completed five years or more of service. Because benefits accrue retroactively to current employees' original hire dates, in 2021 IFIAR will recognize in Salaries and Employee Benefits in the Statement of Comprehensive Income an expense of JPY 24,379,436, with a corresponding liability recorded in the Statement of Financial Position.

## IFIAR MEMBER DIRECTORY AND OBSERVERS

### **IFIAR Member Directory**

A directory of IFIAR Members is available on our website at:

<https://www.ifiar.org/members/member-directory/>

### **Observers**

The following organizations are observers of IFIAR meetings:

Basel Committee on Banking Supervision (BCBS)

European Commission

Financial Stability Board (FSB)

International Association of Insurance Supervisors (IAIS)

International Organization of Securities Commissions (IOSCO)

Public Interest Oversight Board (PIOB)

World Bank



International Forum of Independent Audit Regulators (IFIAR) | 監査監督機関国際フォーラム

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