



ANNUAL REPORT

2021



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WHO WE ARE



MISSION

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

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.

Investors and other stakeholders rely on high quality financial reporting. Along with management, audit committees, and other directors, 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. Standard setters and regulators also play a critical role in setting the frameworks and rules for accounting and auditing, and ensuring auditors abide by the standards.



STRATEGIC OBJECTIVES

- Build Member capabilities
- Promote sustainable improvement in audit quality
- Enhance the collective impact of the audit regulatory community

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 goal is for this collective wisdom to influence audit oversight worldwide and advance sustainable, high-quality audits. IFIAR's 2021-2026 Strategic Plan outlines the core strategies to realize our three strategic objectives.

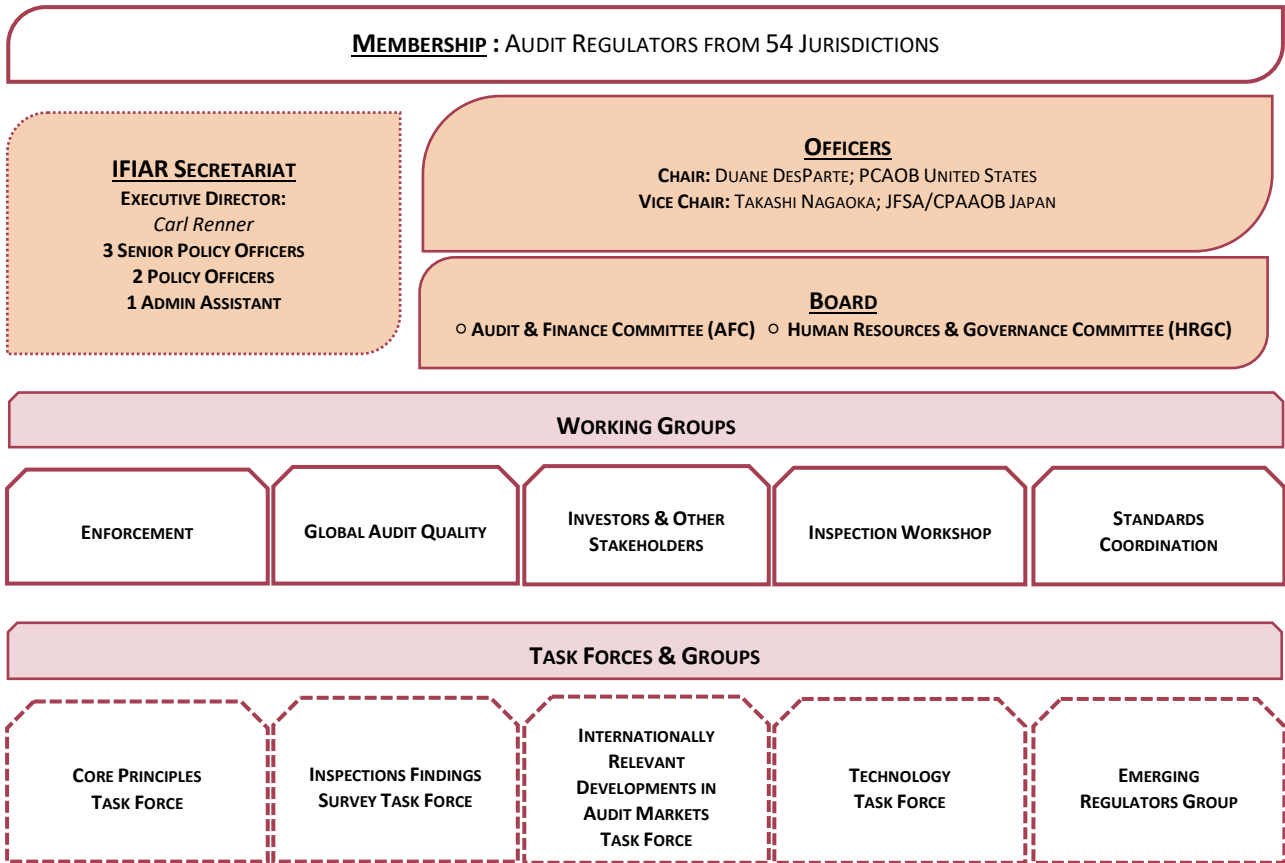


OUR LEADERSHIP

Since April 2017, IFIAR has been governed by a Board consisting of up to 16 Member organizations. Members elected Duane DesParte, Board Member of the United States Public Company Accounting Oversight Board (PCAOB) as Chair and Takashi Nagaoka of the Financial Services Agency of Japan (JFSA) as Vice Chair of IFIAR in 2021. They each serve a 2-year term which ends in April 2023. 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 chart below outlines IFIAR’s organizational structure:



WORKING GROUPS AND TASK FORCES

The tables below outline the leadership, composition, and responsibilities of IFIAR’s Working Groups (WG) and Task Forces (TF):

	EWG Enforcement	GAQWG Global Audit Quality	IOSWG Investors & Other Stakeholders	IWWG Inspection Workshop	SCWG Standards Coordination
LEADERSHIP	Chair: Reto Sanwald, FAOA, Switzerland Vice Chair: Elizabeth Barrett, FRC, UK	Chair: William Di Ciccio, H3C, France	Chair: Peter Hofbauer, APAB, Austria	Chair: Askin Akbulut, AOB, Germany	Chair: Martijn Duffels, AFM, The Netherlands
COMPOSITION	Members: Australia, Canada, Chinese Taipei, Finland (<i>until October 2021</i>), France, Georgia (<i>until August 2021</i>), Germany, Ireland (<i>from April 2021</i>), 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, Malaysia (<i>from July 2021</i>), The Netherlands, Singapore (<i>until April 2021</i>), South Africa, United Kingdom, United States	Members: Abu Dhabi, France, Germany, Ireland (<i>from May 2021</i>), Japan, Luxembourg, South Africa, Switzerland, United Kingdom, United States	Members: Australia, Brazil, Canada, France, Germany, Italy, Japan, South Africa, Spain, United Kingdom, United States
RESPONSIBILITY	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.

	IFSTF Inspection Findings Survey	IRDAM TF Internationally Relevant Developments in Audit Markets	CPTF Core Principles	TTF Technology	ERG Emerging Regulators Group
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LEADERSHIP	Lead: Juli Ravas, PCAOB, USA	Acting Lead: Martijn Duffels, AFM, The Netherlands	Lead: Julia Rendschmidt, AOB, Germany	Lead: Jeremy Justin, CPAB, Canada	Lead: Jacco Moison, FMA, New Zealand
COMPOSITION	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	Cyprus, Georgia, Ireland (<i>until October 2021</i>), Mauritius, New Zealand, Philippines, Ukraine
RESPONSIBILITY	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

As independent audit regulators, our Members play an essential role through their oversight activities in driving high quality auditing in their local jurisdictions. In 2021, the first year of our new five-year Strategic Plan, IFIAR once again provided its Members with relevant information and opportunities to share knowledge and engage with stakeholders in furtherance of our mission to enhance audit oversight globally.

Despite the ongoing pandemic, we continued to effectively execute our Operating Plan and engage with our Members and other stakeholders virtually, including for the first time holding our annual Plenary Meeting and Inspection and Enforcement Workshops virtually.

At the 2021 Plenary Meeting “*Management of Audit Quality in the COVID Environment and Beyond*”, Member regulators shared their approaches to oversight, including possible changes as audit firms implement the IAASB’s new quality management auditing standard, ISQM1. Additionally, firm and audit committee representatives gave their perspectives on key current priorities and challenges in auditing, and leadership from a range of Members shared approaches they are taking in their organizations to promote longer-term, sustained improvements to audit quality.

During the year, we also held virtual sessions for all Members with the leadership of each of the six largest global network firms (the Global Public Policy Committee, or GPPC) to better understand how firm culture is maintained in a remote working environment, and how training and coaching of audit staff is conducted effectively in these prolonged circumstances.

Each of IFIAR’s Working Groups and Task Forces also successfully delivered their Operating Plan initiatives. This included the GAQWG meeting with each of the GPPC network firms to discuss learnings from auditing during the pandemic and each network’s progress in implementing ISQM1. As other examples, we continued our engagement with standard setters, including submitting comment letters on audit and ethics standards proposed by IAASB and IESBA; and we continued to engage with investor and audit committee members on our Investor and Other Stakeholder Advisory Group.

As a member of the Monitoring Group, we remained focused on overseeing the effective implementation of its recommendations to strengthen the international audit and ethics standard setting system. We also again contributed to the Financial Stability Board’s virtual roundtable on accounting and auditing challenges in the current environment, and we published publicly a report developed by the IRDAM Task Force on audit-related developments in selected jurisdictions across the globe.

We thank IFIAR’s Members for their engagement and support in 2021, particularly those Members and individuals who contributed to Working Groups, Task Forces, the Board and Board Committees. We also thank the Secretariat staff for their continued dedication and exemplary service, 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 2022, we look forward to continuing to serve the public interest by engaging with our Members and other key stakeholders to enhance audit oversight and promote sustainable improvements in audit quality globally.

Duane DesParte
IFIAR Chair



Takashi Nagaoka
IFIAR Vice Chair



Carl Renner
Executive Director





DELIVERING IFIAR'S STRATEGY

The 2021-2026 IFIAR Strategic Plan (Strategic Plan) was adopted by the Members at the 2021 IFIAR Plenary Meeting. The Strategic Plan sets forth the strategic direction IFIAR will pursue in the coming years to fulfill its mission of serving the public interest, including investors, by enhancing audit oversight globally.

Under the Strategic Plan, IFIAR's objectives are focused on proactively promoting sustainable improvements in audit quality by advancing the regulatory oversight capabilities of its Members and by leveraging IFIAR's scale to enhance its collective beneficial impact and influence on its various stakeholders, including the six largest global audit firm networks of the GPPC.

IFIAR is a Member-driven organization that achieves its objectives through the collaborative engagement of its Members in working groups and task forces, supported by the Secretariat. IFIAR delivers value to its Members by providing a forum for them to collaborate, share knowledge and learn about independent audit regulatory practices, experiences, challenges and developments — helping to advance their oversight capabilities and effectiveness.

While IFIAR is not a regulator, IFIAR leverages the collective expertise, experience and perspectives of its Members to inform and influence key stakeholders with an interest in high audit quality. For example, IFIAR regularly engages with and challenges the GPPC audit firm networks to achieve higher quality audits. IFIAR also engages with other key stakeholders — such as international standard setters and regulators, investors, and audit committee members — to learn and understand, and to inform and influence.

The following Strategic Objectives are the overarching principles that guide IFIAR in advancing its mission and in delivering value to its Members. These Strategic Objectives (and related Core Strategies) reflect IFIAR's continued focus on building the capabilities of its Members and on being recognized as the leading international organization on independent audit oversight.

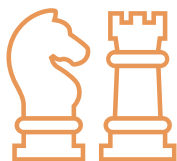


STRATEGIC OBJECTIVES


- Strategic Objective 1: Build Member capabilities
- Strategic Objective 2: Promote sustainable improvement in audit quality
- Strategic Objective 3: Enhance the collective impact of the audit regulatory community

The following Core Strategies set out the overarching goals on which IFIAR focuses to further its Strategic Objectives. These strategies are implemented throughout IFIAR's activities as set forth in annual Operating Plans. IFIAR continually monitors the evolving global business, audit and regulatory environment and adapts its Core Strategies and activities as necessary to ensure IFIAR maintains its relevance in enhancing audit oversight globally.

CORE STRATEGIES



- Core Strategy 1: Reinforce sustained collaboration and knowledge sharing between Members
- Core Strategy 2: Further foster effective engagement with relevant stakeholders in the financial reporting ecosystem
- Core Strategy 3: Maintain outreach to Members as a priority, and secondly, to prospective Members



The information below outlines the key actions implemented by IFIAR in 2021 to deliver against each core strategy.



CORE STRATEGY 1

*Reinforce sustained
collaboration and knowledge
sharing between Members*

- Virtual Plenary Meeting "Management of Audit Quality" held in April 2021 which included sessions focused on ISQM1 (Member and GPPC preparation and perspectives on related challenges), Member approaches to promoting longer-term sustained improvements in audit quality together with their current challenges (such as the COVID-19 pandemic), audit committee perspectives on priorities and challenges for 2021, and update on IFIAR activities
- IWWG conducted the 2021 Inspection Workshop virtually to share Members' inspection experiences and approaches, and provide training to Members' staff
- EWG conducted the 5th Enforcement Workshop virtually to share Members' knowledge, experiences and technical competencies in the field of enforcement; conducted a survey, prepared an information paper and organized a webinar on obtaining audit documentation from domestic audit firms in the age of COVID-19; and continued to provide Members with information on legal issues and approaches taken in high-profile and landmark auditing enforcement and liability cases
- IFIAR organized virtual sessions for all Members with the CEOs and ISQM1 leads from each of the GPPC global network firms to understand the ongoing impact of the pandemic on their work, culture, and internal processes; to understand their progress for the implementation of ISQM1; and to understand their strategic priorities
- ERG organized a virtual training session tailored for smaller and emerging Members, but open to all, on the inspection of bank audits; facilitated a meeting with one of the GPPC networks and smaller and emerging Members to discuss a variety of audit topics and continued to support smaller and newer Members
- Members and the Secretariat regularly posted papers, news items and updates on IFIAR's members-only blog and shared information on a website forum on effective auditing and audit oversight in the COVID-19 environment
- GAQWG's Heads of Inspection (a network comprised of individuals that lead GAQWG member inspection departments) functioned as a platform for collaboration, support and information sharing amongst Members
- IOSWG reported to Members on the results of a survey of IOSWG members regarding their role in inspecting fraud procedures during the inspection process.



CORE STRATEGY 2

Further foster effective engagement with relevant stakeholders in the financial reporting ecosystem

- GAQWG engaged virtually with GPPC network firms on: COVID-19 ongoing impacts and network responses; ISQM1 implementation, with a particular focus on the governance and leadership components; policies re human resource management and development; developments in Audit Quality Indicators; and the firms' internal audit quality monitoring results
- TTF explored with the GPPC how the global audit firm networks develop key technology platforms and utilize the tools when conducting audits across the networks, including the firm's processes for certification, deployment and support of new technology tools and applications, with information to be shared to Members
- Published a public report on initiatives in selected national jurisdictions to evaluate audit market structures and the related potential implications for audit quality (July 20, 2021), prepared by the IRDAM TF
- IOSWG with the support of their Advisory Group solicited stakeholder feedback on learnings from the pandemic, including (i) actions and communications by auditors, audit committees and audit regulators and (ii) changes in perspectives of investors, audit committee members, and other stakeholders in the wider financial reporting ecosystem on the audit and audit regulation in the wake of the pandemic. This information will form the basis of a report which will be provided to Members at the 2022 Plenary
- IOSWG also shared with Members views on the expectations and informational needs of investors and other stakeholders regarding the external auditor's role in addressing fraud risks in conducting financial statement audits; and reported to Members on the Advisory Group's responses to firm governance and transparency matters as outlined in the report prepared by the IRDAM TF (see above)
- Published the 2020 Inspection Findings Survey Report (March 15, 2021) summarizing the results of the latest survey conducted by the IFSTF
- Published a comment letter on the IAASB Discussion Paper on Fraud and Going Concern in an Audit of Financial Statements (February 1, 2021) which was prepared by the SCWG
- SCWG representatives engaged regularly with representatives of IAASB and IESBA in relation to ongoing projects
- As a member of the Monitoring Group, IFIAR actively contributed to discussions in relation to the implementation of the Monitoring Group Recommendations published July 2020, future funding model for audit-related standard setting, and on-going business matters. IFIAR continues to contribute to the annual funding of the Public Interest Oversight Board (PIOB) in support of independent oversight over global standard setting in the public interest



CORE STRATEGY 3

Maintain outreach to Members as a priority, and secondly, to prospective Members

- Provided regular updates to Members from the IFIAR Officers, Board, Working Groups, Task Forces and Secretariat via Member Newsletters, and the Plenary meeting
- Engaged with remaining non-Member G20 jurisdictions 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

GOVERNANCE REPORTING

IFIAR Board			
Chair: Duane DesParte, United States (PCAOB)			
Vice Chair: Takashi Nagaoka, Japan (JFSA/CPAAOB)			
Australia (ASIC)	France (H3C)	Japan (JFSA/CPAAOB)	South Africa (IRBA)
Brazil (CVM)	Germany (AOB)	The Netherlands (AFM)	Turkey (CMB/POA)
Canada (CPAB)	Greece (HAASOB)	Singapore (ACRA)	United Kingdom (FRC)
Chinese Taipei (FSC)	Ireland (IAASA)	Switzerland (FAOA)	United States (PCAOB)

Audit & Finance Committee (AFC)	Human Resources & Governance Committee (HRGC)
Chair: Imre Nagy, South Africa (IRBA)	Chair: Kuldip Gill, Singapore (ACRA)
Australia (ASIC)	Brazil (CVM)
Chinese Taipei (FSC)	Germany (AOB)
Ireland (IAASA)	Japan (JFSA/CPAAOB)
Greece (HAASOB)	Singapore (ACRA)
South Africa (IRBA)	Switzerland (FAOA)
	Turkey (CMB/POA)

ELECTIONS & APPOINTMENTS

Elections were held for the position of IFIAR Chair and Vice Chair at the 2021 Plenary Meeting. The Members elected Duane DesParte (PCAOB, United States) to the position of Chair and Takashi Nagaoka (JFSA/CPAAOB, Japan) to the position of Vice Chair.



The 2021 Plenary Meeting marked the end of the four-year terms of four elected Board members who served from 2017-2021. The Members elected Ireland (IAASA) and the Netherlands (AFM) (the Netherlands previously served as a Nominated Board member), and re-elected Singapore (ACRA), and South Africa (IRBA), to the Board to serve four-year terms ending in 2024. Our thanks and gratitude to outgoing Abu Dhabi (ADAA) for its service and contribution to the Board.

Appointments to the leadership of the IFIAR Board Committees were also made in 2021. Imre Nagy (IRBA, South Africa) was reappointed to continue in his role as AFC Chair and Kuldip Gill (ACRA, Singapore) was appointed as HRGC Chair. The Board thanks the previous HRGC Chair, William di Cicco (H3C, France) for his service and leadership of the committee.

The IFIAR Board also reappointed Carl Renner as Executive Director for a period of six years (a three-year contract to be renewed for another three years subject to continuing to meet the performance expectations of the Board) commencing April 1, 2022. The Board thanks Carl for his tremendous efforts to date in establishing the Secretariat and supporting the Officers, Board and the work of IFIAR, and looks forward to his continued contributions in the years ahead.

GOVERNANCE

The full IFIAR Board met six times in 2021. Heads of Delegation of IFIAR Board Members met on a further three occasions to discuss items related to Secretariat compensation and other such confidential personnel-related matters. All IFIAR Board meetings were held virtually during 2021 due to the COVID-19 pandemic.

Key governance matters discussed and agreed on at Board meetings during 2021 included the following:

- Support of the 2021-2026 Strategic Plan, for Member approval
- Support of the Third-Year Governance Review, for Member approval
- Support of the biennial Member Survey, for Member approval
- Support of the 2021 Revised and 2022 Budgets, and 2022 Membership Fees including the discount thereto, for Member approval
- Support of the Host subsidies 2022-2026, for Member approval
- Approval of the 2021-2022 Operating Plan
- Approval of the reappointment of auditor and audit fee for 2021
- Approval of the GPPC Information-sharing Protocol for the Membership
- Approval and affirmation of Working Group Chairs, Task Force Leads and WG/TF members
- Approval of the Remuneration Framework and remuneration related items for the Secretariat staff, including the Retirement and Termination Policy, and Long-term Illness and Disability Policy and remuneration reviews
- Other AFC and HRGC matters, including committee membership and chair appointments
- Approval of the reappointment of the Executive Director and the related contractual terms





FINANCIAL HIGHLIGHTS

Financial Statements Highlights

IFIAR established, under Japanese law on January 4, 2017, IFIAR Association, a General Incorporated Association (GIA). 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. No travel expenses were incurred in 2021 due to the virtual nature of meetings and events, whereas other expenses were generally unaffected by the COVID-19 pandemic. Following the Board's approval of the long-term service benefit scheme on January 7, 2021, new expense and liability line items are recognized in the financial statements, which are significant in 2021 since the benefit accrues from date of commencement of employment for each employee.

Member Support

IFIAR, whose operations are distinct from IFIAR Association, relies on Members' voluntary contributions 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 time and payment of expenses (for example, travel costs or event hosting costs)).

Member support during 2021 included:

- The Officers' organizational support provided by the PCAOB (United States) for entire year, JFSA/CPAAOB (Japan) from April 2021, and FAOA (Switzerland) up to April 2021
- Chairing and provision of administrative support of various Working Groups, Task Forces and other work streams by CPAB (Canada), H3C (France), AOB (Germany), AFM (the Netherlands), APAB (Austria), FMA (New Zealand), FAOA (Switzerland), FRC (UK) and PCAOB (US)
- Participation on the Board by ADAA (Abu Dhabi) *until April 2021*, ASIC (Australia), CVM (Brazil), CPAB (Canada), FSC (Chinese Taipei), H3C (France), AOB (Germany), HAASOB (Greece), IAASA (Ireland) *from April 2021*, JFSA/CPAAOB (Japan), AFM (the Netherlands), ACRA (Singapore), FAOA (Switzerland), IRBA (South Africa), POA/CMB (Turkey), FRC (United Kingdom), and PCAOB (United States)
- Financial support for staff secondments by the JFSA/CPAAOB (Japan)
- Participation of Members in Working Groups, Task Forces and other IFIAR activities

Members contribute support directly to IFIAR. Because such support is neither provided nor related to IFIAR Association, such contributions are not reflected in IFIAR Association's financial statements.

IFIAR Association Financial Statements for the year ended December 31, 2021 were approved by the Membership in April 2022.



STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL REPORT & 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 IFIAR Association Articles of Association and applicable laws and regulations, to be presented to 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 the 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 his or her 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:



Duane M. DesParte

Chair of IFIAR Board and Representative Director of IFIAR Association
March 1, 2022



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, 2021, and the statement of comprehensive income and retained surplus, 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, 2021, 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, 2022

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, 2021

STATEMENT OF COMPREHENSIVE INCOME AND RETAINED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	2021 JPY	2020 JPY
Revenue	3	193,542,296	226,039,574
OPERATIONAL EXPENDITURE			
Salaries and employee benefits	4,5	163,301,713	129,221,297
Travel expenses		-	4,416,283
Plenary host and meeting expenses		176,962	4,358,383
Audit expenses		1,989,469	2,004,912
Information technology and communication expenses		4,912,597	5,474,198
Professional fees		8,090,266	7,175,523
Other expenses		2,077,551	2,450,032
Office supplies		285,787	734,643
Rental and maintenance expense	5	10,728,845	10,786,453
Depreciation	6	11,793,431	12,775,306
Foreign exchange loss		311,959	260,817
PIOB funding	10	6,150,000	6,150,000
Total operational expenditure		209,818,580	185,807,847
Operating (deficit) / surplus		(16,276,284)	40,231,727
Retained surplus at start of year		353,204,302	312,972,575
Retained surplus at end of year		336,928,018	353,204,302

INTERNATIONAL FORUM OF INDEPENDENT AUDIT REGULATORS ASSOCIATION
 FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2021

	Note	2021 JPY	2020 JPY
ASSETS			
Non-current assets			
Deposits	5(c)	12,619,134	11,722,734
Property, plant and equipment	6	11,139,922	22,771,466
Cash and cash equivalents	7	2,284,710	-
		<u>26,043,766</u>	<u>34,494,200</u>
Current assets			
Prepaid expenses		6,786,967	3,183,488
Cash and cash equivalents	7	396,846,134	379,423,832
		<u>403,633,101</u>	<u>382,607,320</u>
Total assets		<u>429,676,867</u>	<u>417,101,520</u>
LIABILITIES			
Non-current liabilities			
Asset retirement obligation	5(d)	16,571,520	16,571,520
Other long-term employee benefit	4,7	2,284,710	-
		<u>18,856,230</u>	<u>16,571,520</u>
Current liabilities			
Accounts and other payables		4,614,002	8,722,063
Accruals		9,079,099	4,800,854
Deferred income	8	29,842,239	33,802,781
Other long-term employee benefit	4,7	30,357,279	-
		<u>73,892,619</u>	<u>47,325,698</u>
Total liabilities		<u>92,748,849</u>	<u>63,897,218</u>
EQUITY			
Retained surplus	1	336,928,018	353,204,302
Total liabilities and equity		<u>429,676,867</u>	<u>417,101,520</u>

INTERNATIONAL FORUM OF INDEPENDENT AUDIT REGULATORS ASSOCIATION
 FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	2021 JPY	2020 JPY
CASH FLOWS FROM OPERATING ACTIVITIES			
Total operating (deficit) / surplus for the year		(16,276,284)	40,231,727
Adjustments for:			
Depreciation	6	11,793,431	12,775,306
Decrease in accounts and other receivables		-	111,789
Increase in accruals		4,278,245	387,615
(Decrease) in deferred income	8	(3,960,542)	(3,989,503)
(Increase) / Decrease in deposits	5	(896,400)	8,000
(Decrease) / Increase in accounts and other payables		(4,108,061)	6,123,428
(Increase) / Decrease in prepaid expenses		(3,603,479)	3,692,311
Increase in other long-term employee benefit payable		32,641,989	-
Net cash from operating activities		19,868,899	59,340,673
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6	(161,887)	(1,040,798)
Net cash used in investing activities		(161,887)	(1,040,798)
Net increase in cash and cash equivalents		19,707,012	58,299,875
Cash and cash equivalents at the beginning of the year		379,423,832	321,123,957
Total cash and cash equivalents at end of the year	7	399,130,844	379,423,832

INTERNATIONAL FORUM OF INDEPENDENT AUDIT REGULATORS ASSOCIATION
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

NOTES TO THE FINANCIAL STATEMENTS

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 recognizing membership fees and for contracting purposes to engage in financial transactions such as employing individuals for the Secretariat, and paying suppliers in relation to Secretariat infrastructure and costs. IFIAR Association's financial statements relate to only part of the resources needed for IFIAR activities, being those contracted through 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 IFIAR Association's financial statements unless a contract is entered into with IFIAR Association with quantifiable amounts.

The Directors of IFIAR Association are Duane DesParte, Takashi Nagaoka and Imre Nagy. Duane DesParte and Imre Nagy were re-appointed as representative director and non-representative director respectively, Takashi Nagaoka was appointed as representative director and William Di Cicco completed his term as non-representative director as of April 19, 2021, at IFIAR Association 2021 Annual General Assembly Meeting.

IFIAR Association satisfies the requirements to be treated as a non-profit General Incorporated Association under the Japanese Corporation Tax Legislation. Therefore, IFIAR Association is taxed to the extent that it carries out a profit-making business. IFIAR Association does not engage in any profit-making business. IFIAR Association is prohibited from the distribution of Reserves, including in the event of dissolution, under Japanese law.

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 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 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 income statement.

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 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 IFIAR Association's administrative purposes and are expected to be used for more than one year.

Recognition and initial measurement

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

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 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 IFIAR Association by the Japan Financial Services Agency (JFSA)/ the Certified Public Accountants & Auditing Oversight Board (CPA AOB), 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-year periods with a review undertaken prior to the end of each five-year period to agree the level of subsidy for the following five-year period. The subsidy was fixed at JPY 85,527,000 per annum from 2017 until 2021 and will be fixed for five years at JPY 86,810,000 per annum for the period 2022 to 2026. JFSA/CPA AOB will continue to provide annual contributions as long as the Secretariat is based in Japan.

2.8 Operating leases

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.

2.9 Other long-term employee benefit

Other long-term employee benefit relates to a long-term service award instituted by IFIAR Association in 2021. Benefits are payable to eligible employees when their employment ends if they have completed five years or more of continuous service. The cost is recognized when the service is rendered, and the benefit accrues from the commencement of employment for each employee.

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 2021, membership fees were received from 54 (2020: 55) member jurisdictions. In 2021, a discount of 25% (2020: nil) was applied to membership fees of all Members.

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.

	2021	2020
	JPY	JPY
Membership fees (Gross)	127,161,867	131,029,138
Discount	(31,790,475)	-
Membership fees (Net)	95,371,392	131,029,138
Subsidies / Government grants	98,167,000	95,007,000
Interest income	3,904	3,436
Total revenue	193,542,296	226,039,574

4. Salaries and employee benefits

	2021	2020
	JPY	JPY
Gross salaries	96,846,668	95,001,378
Health and pension insurance	6,887,121	6,709,957
Staff welfare	22,602,565	22,169,849
Other employee benefits	4,323,370	5,340,113
Long-term service award expense	32,641,989	-
Total salaries and employee benefits	163,301,713	129,221,297

Of which:

Compensation paid to Key Management Personnel	50,893,237	36,509,728
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Long-term service award expense

A long-term service award for all employees was instituted by IFIAR Association in 2021 (see Note 2.9) with the award accruing from date of employment. Long-term service award expense for 2021 includes JPY 24,379,436 related to services performed prior to 2021.

Contingent relocation cost liability

Employees recruited from outside Japan and relocated into Japan are eligible under their employment contracts at the end of their employment to have their relocation costs to their home countries reimbursed by IFIAR Association if they elect to relocate at that time. It is not determinable whether it is more likely than not that economic benefits will be required to be transferred, and the amount of the obligation cannot be estimated reliably. Further, although the timing and amount of the cost is not known, the potential maximum amounts are not considered material in the context of the financial statements. Accordingly, no liability is recorded.

5. Lease related disclosures

a. Operating lease commitments

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

Properties

	2021	2020
	JPY	JPY
Payments within 1 year	16,714,560	15,549,456
Payments later than 1 year but within 5 years	43,338,240	-
Total lease commitments	60,052,800	15,549,456

Office Equipment

	2021	2020
	JPY	JPY
Payments within 1 year	38,232	152,928
Payments later than 1 year but within 5 years	-	38,232
Total lease commitments	38,232	191,160

b. Operating lease expenses

Lease payments recognized as an expense during the year amounted to JPY 15,702,384 (2020: JPY 15,342,384), as detailed below.

Statement of Comprehensive Income line item in which lease expenses are included	Leased item	2021	2020
		JPY	JPY
Rental and maintenance expense	Office and photocopier	9,822,384	9,822,384
Salaries and employee benefits	Residential leases	5,880,000	5,520,000
		15,702,384	15,342,384

c. Security deposits

Security deposits of JPY12,619,134 (2020: JPY 11,722,734) 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 (2020: JPY 16,571,520) were recognized in the Statement of Financial Position upon entering into the lease. The obligation crystallizes when IFIAR Association exits the premises, the timing of which is uncertain.

6. Property, plant and equipment

	Leasehold Improvements	Furniture & fixtures	IT Equipment	Total JPY
Cost at January 1, 2021	48,758,382	14,528,144	14,125,513	77,412,039
Additions	-	-	161,887	161,887
Cost at December 31, 2021	48,758,382	14,528,144	14,287,400	77,573,926
Accumulated depreciation at January 1, 2021	(36,562,050)	(5,042,160)	(13,036,363)	(54,640,573)
Depreciation	(9,751,680)	(1,452,816)	(588,935)	(11,793,431)
Accumulated depreciation at December 31, 2021	(46,313,730)	(6,494,976)	(13,625,298)	(66,434,004)
Net book value at December 31, 2021	2,444,652	8,033,168	662,102	11,139,922
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)
Net book value at December 31, 2020	12,196,332	9,485,984	1,089,150	22,771,466

7. Cash and cash equivalents

Cash is held in a current bank account denominated in JPY.

	2021 JPY	2020 JPY
Current	396,846,134	379,423,832
Non-current	2,284,710	-
Total	399,130,844	379,423,832

Of which the following amounts are ringfenced for payment of long-term service benefits and are therefore not available for general use:

	2021 JPY	2020 JPY
Current	30,357,279	-
Non-current	2,284,710	-
Total	32,641,989	-

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.

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 an annual direct financial contribution to support the PIOB's operating budget, starting in 2020.



IFIAR MEMBERS 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



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