



ANNUAL REPORT

2022

CONTENTS

CONTENTS.....	2
WHO WE ARE	3
OUR LEADERSHIP	4
WORKING GROUPS AND TASK FORCES.....	5
MESSAGE TO OUR MEMBERS AND STAKEHOLDERS.....	7
DELIVERING IFIAR'S STRATEGY	8
GOVERNANCE REPORTING.....	12
FINANCIAL HIGHLIGHTS	14
STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL REPORT & FINANCIAL STATEMENTS.....	15
INDEPENDENT AUDITOR'S REPORT	16
FINANCIAL STATEMENTS.....	18
IFIAR MEMBERS and OBSERVERS.....	27



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.

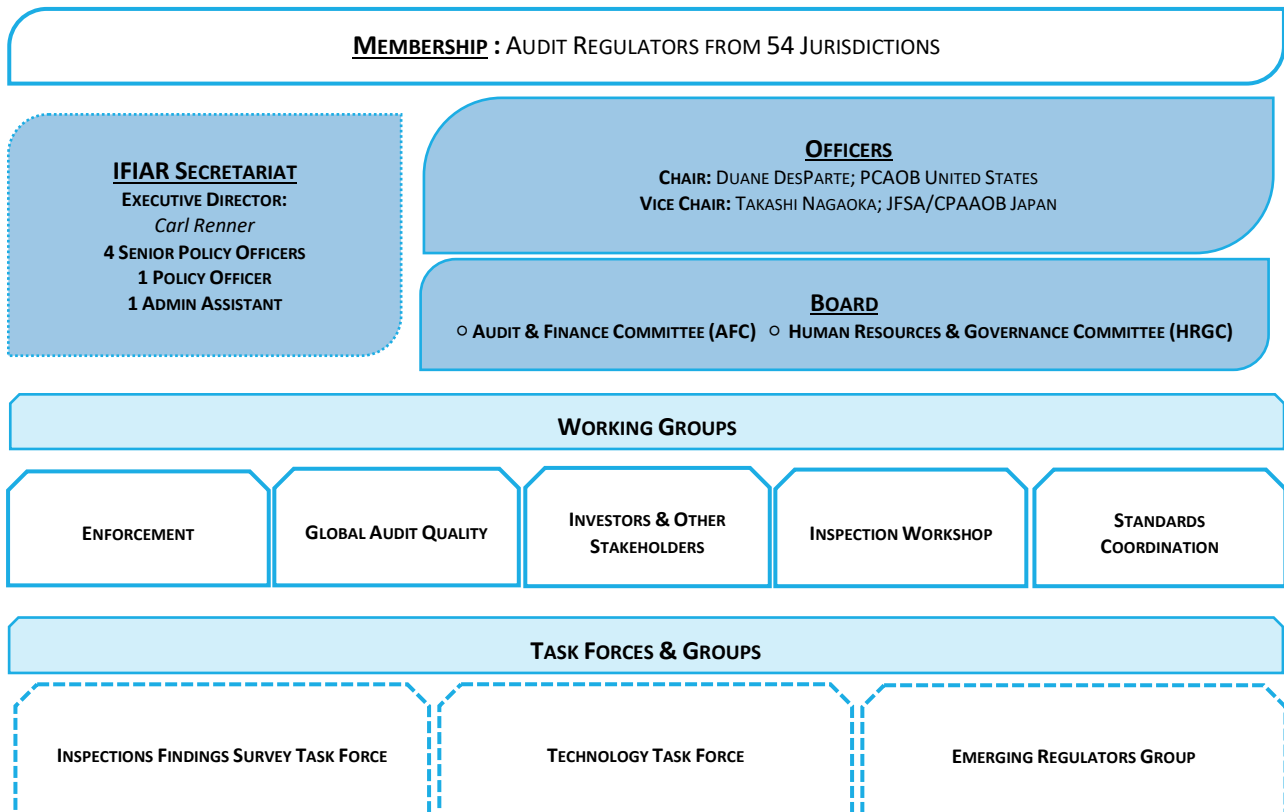
IFIAR has two categories of membership. Audit regulators that meet all of IFIAR's membership criteria as prescribed in IFIAR's Charter are Members, while audit regulators that at minimum meet the IFIAR Charter requirement of independence from the audit profession and have clear responsibility and legal authority in their jurisdiction for audit oversight (as set-out in the IFIAR Charter), but have not yet developed and / or implemented (all) their regulatory activities are Associates. Currently there are no Associate members.

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) and the Certified Public Accountants & Auditing Oversight Board (CPA AOB) 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), and oversees 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:

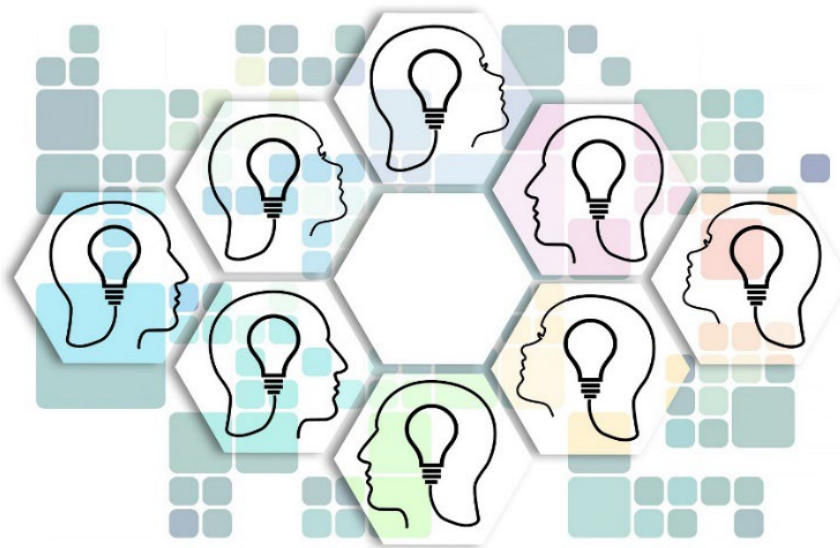


WORKING GROUPS AND TASK FORCES

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: Elizabeth Barrett, FRC, United Kingdom <i>(from May 2022)</i> , Reto Sanwald, FAOA, Switzerland <i>(until May 2022)</i>	Chair: William Di Cicco, H3C, France	Chair: Peter Hofbauer, APAB, Austria Vice Chair: Anthony C. Thompson, PCAOB, United States	Chair: Askin Akbulut, AOB, Germany	Chair: Martijn Duffels, AFM, The Netherlands <i>(until February 2023)</i>
COMPOSITION	Members: Australia, Canada, Chinese Taipei, France, Germany, Ireland, 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, The Netherlands, South Africa, United Kingdom, United States	Members: Abu Dhabi, France, Germany, Ireland, Japan, Luxembourg, South Africa, Switzerland <i>(until June 2022)</i> , United Kingdom, United States	Members: Australia, Brazil, Canada, France, Germany, Italy, Japan, The Netherlands, 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	CPTF Core Principles (until June 2022)	TTF Technology	ERG Emerging Regulators Group
LEADERSHIP	Lead: Juli Ravas, PCAOB, United States	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: Brazil, Dubai, France, Germany, Switzerland, United States	Members: Canada, Ireland, The Netherlands, Singapore, South Africa, Switzerland (from June 2022), United Kingdom, United States (from October 2022)	Members: Cyprus, Georgia, Mauritius, New Zealand, Philippines, Slovenia
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 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 2022, 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.

At the virtual 2022 Plenary Meeting “Transition to the New Normal”, Member regulators shared perspectives on how current trends and developments may impact future regulatory audit oversight activities, including emerging economic and geopolitical challenges, reduced availability of high-skilled audit talent and increased demands for sustainability reporting and assurance. Members also shared views on key factors essential for high quality audits, and leaders of the international audit standard setting bodies explained the structure and status of reforms to the audit standard setting framework. A revised set of Core Principles for Independent Audit Regulators was also approved by Members.

During 2022, our Working Groups and Task Forces once again successfully delivered their Operating Plan activities, including sharing with Members learnings and experiences in areas such as inspections, enforcement, and automated audit tools and techniques. We continued to engage with audit standard setters and comment on ethics and audit standards proposed by the IAASB and IESBA; and we solicited and shared with Members perspectives from investors, audit committees and other stakeholders on audit and audit oversight going forward. We continued to meet with the leadership of each of the six largest global network firms (the Global Public Policy Committee, or GPPC), with a focus on the firms’ implementation of ISQM1 and on how the firms are addressing emerging economic and geopolitical risks in their audits.

During the year we established a new Associate category of membership to provide independent audit regulators that do not yet fully meet our membership requirements the opportunity to engage in selected IFIAR activities—helping to facilitate their progress in standing up their oversight programs.

We also approved the establishment of a new Sustainability Assurance Task Force to monitor developments in sustainability reporting and assurance across major jurisdictions and to consider and recommend potential workstreams IFIAR may want to pursue, including opportunities to educate and share information with Members.

As a member of the Monitoring Group, we continued our oversight of international audit standard setting system reforms, as well as participated in the selection of PIOB Board members. We also again contributed to the Financial Stability Board’s annual Roundtable on External Audit and commented on the G20/OECD’s proposed Principles of Corporate Governance.

Although in the first half of the year we operated primarily virtually, in the second half of the year we began to resume certain meetings and events in-person. It has been a joy to reengage with one another in person. Going forward we will employ a mix of in-person and virtual activities, balancing the benefits of in-person engagement with the travel costs of time, expense and carbon emissions.

We thank IFIAR’s Members for their engagement and support in 2022, 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 JFSA and CPAAQB for their ongoing hosting of the Secretariat in Tokyo, Japan.

In 2023, 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.

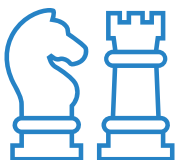


STRATEGIC OBJECTIVES

- 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 2022 to deliver against each core strategy.



CORE STRATEGY 1

*Reinforce sustained
collaboration and knowledge
sharing between Members*

- Virtual Plenary Meeting “*Transition to the New Normal*” held in April 2022 in which Members, Observers and other key stakeholder representatives addressed the current state of audit oversight and the potential implications for audit regulators of emerging trends and developments in what will be the *New Normal*.
- The IWWG conducted the 2022 Inspection Workshop virtually to share Members’ inspection experiences and approaches, and provide training to Members’ staff, in addition to three separate webinars that provided valuable training on: basic inspections of insurance audits; climate-related risk considerations in audits of financial statements; and the International Standard on Quality Management (ISQM) 1.
- The EWG continued to deliver on its objective to enhance knowledge sharing and technical competencies of IFIAR Members in the field of enforcement throughout 2022. The EWG held a webinar to share with Members the use of discretionary powers in imposing sanctions and how they balance fairness against the objectives of their sanctions policies. The EWG continues with its practice of sharing summaries of landmark enforcement and liability cases with the wider IFIAR Membership. The EWG surveyed Members on experiences in obtaining audit documentation from domestic audit firms during the pandemic.
- The CPTF completed its review of IFIAR’s Core Principles. The revised Core Principles were approved by IFIAR Members at the 2022 Plenary Meeting reflecting advancements in audit oversight since the IFIAR Core Principles were originally developed in 2011.
- IFIAR convened virtual sessions for Members to learn about CPAB’s latest work on Audit evidence, Auditing accounting estimates and Technology in the audit.
- 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 and relevant announcements and publications in relation to the geopolitical uncertainties.
- At its meeting in December, the Board approved the establishment of a Task Force focused on assurance of ESG/Sustainability reporting. The Task Force was subsequently established in January 2023, and terms of reference approved in February 2023. The TF is responsible for determining appropriate workstreams for IFIAR to undertake in relation to assurance over ESG/Sustainability reporting matters, that will benefit Members, and to coordinate the delivery of such workstreams through IFIAR’s WGs, TFs or itself.



CORE STRATEGY 2

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

- The GAQWG engaged virtually with GPPC network firms in the first half and in-person in the second half of the year. Discussion topics included: networks' implementation of ISQM1 and other changes to firm-wide quality management systems with a particular focus on risk assessment process, acceptance & continuance and relevant ethical requirements; the firms' internal audit quality monitoring results; and focused discussions on risks impacting firms' audit quality, audit strategies and credibility.
- The 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. The overall responses and feedback giving interesting insights into the thoughts of stakeholders were summarized in the report for distribution to IFIAR Members at the 2022 Plenary meeting.
- The TTF continued to engage with the GPPC firms on their use of automated tools and techniques across the networks, including updates on the firms' development and certification of ATTs, audit methodology to support the use of ATTs, and use of ATTs at member firms and engagement teams. Insights derived from its discussions with the GPPC networks were summarized in a report for distribution to IFIAR Members.
- Published the 2021 Inspection Findings Survey Report (March 25, 2022) summarizing the results of the latest survey conducted by the IFSTF. IFIAR Members reported in the 2021 survey that 30% of audit engagements inspected had at least one finding, down from 34% in the 2020 survey, and down from 47% in the first survey capturing this percentage in 2014.
- In 2019, the GAQWG renewed an initiative challenging the GPPC networks to reduce the percentage of listed PIE audits inspected with one or more findings in participating jurisdictions by at least 25% over a four-year period, with approximately half of IFIAR's Members participating in this initiative. The collective baseline for the initiative for 2019 was 32%, and GPPC network member firms are aiming for a collective percentage of inspected audits with findings of 24% or less by 2023, the end of the measurement period. The 2021 report marked the midpoint measurement year for the initiative, and the percentage of audits with at least one finding reported by the IFIAR Members participating in the initiative was 29%.
- SCWG representatives engaged regularly with representatives of the IAASB, the IESBA and the PIOB to present and discuss regulators' perspectives and suggestions to enhance audit quality, and to discuss IFIAR's comment letters and standard setter follow-up. Comment letters developed by the SCWG on the IESBA Proposed Exposure Draft on Proposed Revisions to the Code Relating to the Definition of Engagement Team and Group Audits, the IESBA Proposed Exposure Draft on Proposed Technology-related Revisions to the Code, the IESBA Strategy Survey 2022, and the IAASB Proposed Narrow Scope Amendments to ISA 700 (Revised) and ISA 260 (Revised) were published in 2022.
- Continued participation and contributions to the Monitoring Group regarding the implementation of the Monitoring Group's recommendations to strengthen the international audit and ethics standard-setting system, and to ongoing Monitoring Group business. IFIAR agreed to increase its contribution to the PIOB from 2023 to help increase the level of funding independent from the profession. IFIAR joined the Monitoring Group's Nominating Committee and participated in the selection of PIOB Board members.



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.
- Conducted IFIAR's biennial Member Survey to obtain feedback on how well IFIAR is meeting Member's needs and receive improvement suggestions. The survey showed high levels of satisfaction from Members. The Officers, Secretariat and Board strive for continual improvement, particularly in relation to communication and transparency with Members.
- 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.
- Revised the Associate Member category to enable independent audit regulators with clear authority for independent oversight that are still in the early stages of developing their audit oversight programs to benefit from engagement with IFIAR.

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)	Türkiye (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)
Greece (HAASOB)	Japan (JFSA/CPAAOB)
Ireland (IAASA)	Singapore (ACRA)
South Africa (IRBA)	Switzerland (FAOA)
	Türkiye (CMB/POA)

GOVERNANCE

IFIAR is committed to diversity in all its forms, including geographic, racial, gender, culture, and experience; and to fostering inclusiveness and treatment of all Members and employees fairly and equally.

The IFIAR Board met seven times in 2022. Heads of Delegation of IFIAR Board Members met on a further occasion to discuss items related to Secretariat compensation and other such confidential personnel-related matters. One IFIAR Board meeting was held in-person in the second half of 2022.

Key governance matters discussed and agreed at Board meetings during 2022 included the following:

- Agreed to continue to have a mix of in-person and virtual meetings and events which balances the benefits of in-person dialogue with the cost of travel (in terms of time, expense and carbon emissions). Other than travel, IFIAR's operations generate limited carbon emissions.
- Support for the restructured Associate Member category, for Member approval
- Support for the revised IFIAR Core Principles, for Member approval and subsequent approval of the dissolution of the CPTF
- Support for the 2022 Revised and 2023 Budgets, including contribution to the PIOB, and 2023 Membership Fees including the discount to fees, for Member approval
- Approval of the 2022-2023 Operating Plan
- Approval of the reappointment of auditor and audit fee for 2022
- Approval of the Plenary Travel and Accommodation Expense Policy
- Support for entering into indemnification agreements with directors of the IFIAR Association and the Executive Director (as a non-director officer of the IFIAR Association) to indemnify their liabilities to third parties, for Member approval
- Support for post-facto ratification of past acts of acquiring Directors & Officers insurance (D&O insurance) policy since January 2017 and pre-approval of the next renewal of the D&O insurance policy commencing May 2022, for Member approval
- Support for the delegation of authority to represent IFIAR on the Monitoring Group (MG)-related matters, particularly with respect to the MG Nominating Committee



- Approval of the biennial Member Survey to understand the level of satisfaction of Members and obtain their feedback; and an Effectiveness Review to obtain feedback on the effectiveness of the IFIAR Board, Officers, Board Committees and Working Groups/Task Forces and their respective leadership
- Approval and affirmation of Working Group Chairs, Task Force Leads, WG/TF and IOSWG Advisory Group members
- Agreement to the Expatriate Compensation Framework Review
- Consideration of the Russian war on IFIAR's operations, our Members, and audit risk. A webpage was established to share relevant publications on audit and audit oversight with Members and the GAQWG addressed the audit impact and risks with the GPPC network firms. Representatives from IFIAR's Russian Member organizations have not attended IFIAR meetings or events since hostilities began.
- Agreement to direct the Working Groups to review their Terms of Reference and operating activities against the Strategic Plan, with a view to Working Groups being empowered to perform all relevant activities to drive the delivery of the strategic objectives
- Approval for the establishment of a Task Force focused on assurance of ESG/Sustainability reporting



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. Following the Board's approval of the long-term service benefit scheme on January 7, 2021, expense and liability line items have been recognized in the financial statements, which were 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 2022 included:

- Hosting a Board meeting and GAQWG meeting in Berlin, Germany by AOB (October 2022)
- The Officers' organizational support provided by the PCAOB (United States) and JFSA/CPAAOB (Japan)
- 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 ASIC (Australia), CVM (Brazil), CPAB (Canada), FSC (Chinese Taipei), H3C (France), AOB (Germany), HAASOB (Greece), IAASA (Ireland), JFSA/CPAAOB (Japan), AFM (the Netherlands), ACRA (Singapore), FAOA (Switzerland), IRBA (South Africa), POA/CMB (Türkiye), 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, 2022 were approved by the Membership in April 2023.



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 27, 2023



INDEPENDENT AUDITOR'S REPORT

International Forum of Independent Audit Regulators
For the attention of the Directors
18F Otemachi Financial City Grand Cube
1-9-2 Otemachi, 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, 2022, 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, 2022, 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.

Other information

The other information comprises the annual report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. The Corporate Auditor is responsible for overseeing the execution of duties by the directors in reporting process design and operation of the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 27th, 2023
Mazars Audit LLC
Akasaka Intercity, 5F,
1-11-44 Akasaka, Minato-ku, Tokyo, 107-0052, Japan

FINANCIAL STATEMENTS

INTERNATIONAL FORUM OF INDEPENDENT AUDIT REGULATORS ASSOCIATION FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

STATEMENT OF COMPREHENSIVE INCOME AND RETAINED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	2022 JPY	2021 JPY
Revenue	3	197,538,600	193,542,296
OPERATIONAL EXPENDITURE			
Salaries and employee benefits	4,5	148,170,269	163,301,713
Travel expenses		10,830,471	-
Plenary host and meeting expenses		1,008,511	176,962
Audit expenses		2,014,629	1,989,469
Information technology and communication expenses		6,273,970	4,912,597
Professional fees		11,241,220	8,090,266
Other expenses		2,786,944	2,077,551
Office supplies		297,043	285,787
Rental and maintenance expense	5	11,889,521	10,728,845
Depreciation	6	5,014,929	11,793,431
Foreign exchange loss		263,397	311,959
PIOB funding	10	6,150,000	6,150,000
Total operational expenditure		205,940,904	209,818,580
Operating deficit		(8,402,304)	(16,276,284)
Retained surplus at start of year		336,928,018	353,204,302
Retained surplus at end of year		328,525,714	336,928,018

INTERNATIONAL FORUM OF INDEPENDENT AUDIT REGULATORS ASSOCIATION
 FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2022

	Note	2022 JPY	2021 JPY
ASSETS			
Non-current assets			
Deposits	5(c)	12,619,134	12,619,134
Property, plant and equipment	6	10,528,339	11,139,922
Cash and cash equivalents	7	3,470,738	2,284,710
		<u>26,618,211</u>	<u>26,043,766</u>
Current assets			
Prepaid expenses		11,350,783	6,786,967
Cash and cash equivalents	7	404,195,610	396,846,134
		<u>415,546,393</u>	<u>403,633,101</u>
Total assets		<u>442,164,604</u>	<u>429,676,867</u>
LIABILITIES			
Non-current liabilities			
Asset retirement obligation	5(d)	16,571,520	16,571,520
Other long-term employee benefit	4,7	3,470,738	2,284,710
		<u>20,042,258</u>	<u>18,856,230</u>
Current liabilities			
Accounts and other payables		14,618,019	4,614,002
Accruals		4,379,972	9,079,099
Deferred income	8	36,649,095	29,842,239
Other long-term employee benefit	4,7	37,949,546	30,357,279
		<u>93,596,632</u>	<u>73,892,619</u>
Total liabilities		<u>113,638,890</u>	<u>92,748,849</u>
EQUITY			
Retained surplus	1	328,525,714	336,928,018
Total liabilities and equity		<u>442,164,604</u>	<u>429,676,867</u>

INTERNATIONAL FORUM OF INDEPENDENT AUDIT REGULATORS ASSOCIATION
 FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	2022 JPY	2021 JPY
CASH FLOWS FROM OPERATING ACTIVITIES			
Total operating (deficit) / surplus for the year		(8,402,304)	(16,276,284)
Adjustments for:			
Depreciation	6	5,014,929	11,793,431
(Decrease) / Increase in accruals		(4,699,127)	4,278,245
Increase / (Decrease) in deferred income	8	6,806,856	(3,960,542)
(Increase) in deposits	5 (c)	-	(896,400)
Increase / (Decrease) in accounts and other payables		10,004,017	(4,108,061)
(Increase) in prepaid expenses		(4,563,816)	(3,603,479)
Increase in other long-term employee benefit payable		8,778,295	32,641,989
Net cash from operating activities		12,938,850	19,868,899
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6	(4,403,346)	(161,887)
Net cash used in investing activities		(4,403,346)	(161,887)
Net increase in cash and cash equivalents		8,535,504	19,707,012
Cash and cash equivalents at the beginning of the year		399,130,844	379,423,832
Total cash and cash equivalents at end of the year	7	407,666,348	399,130,844

INTERNATIONAL FORUM OF INDEPENDENT AUDIT REGULATORS ASSOCIATION
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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.

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 fixtures	10 years
Information Technology (IT) and Office equipment	3-5 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 (CPAAOB), 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 fixed for five years at JPY 86,810,000 per annum for the period 2022 to 2026. JFSA/CPAAOB 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 2022, membership fees were received from 54 (2021: 54) Member jurisdictions. In 2022, a discount of 25% (2021: 25%) was applied to membership fees of all Members.

Subsidies include an annual contribution of JPY 86,810,000 in 2022 and JPY 85,527,000 in 2021 (see Note 2.7), and a further subsidy was received in relation to a seconded staff member.

	2022	2021
	JPY	JPY
Membership fees (Gross)	130,779,299	127,161,867
Discount	(32,694,828)	(31,790,475)
Membership fees (Net)	98,084,471	95,371,392
Subsidies / Government grants	99,450,000	98,167,000
Interest income	4,129	3,904
Total revenue	197,538,600	193,542,296

4. Salaries and employee benefits

	2022	2021
	JPY	JPY
Gross salaries	102,583,613	96,846,668
Health and pension insurance	6,880,299	6,887,121
Staff welfare	25,193,928	22,602,565
Other employee benefits	4,734,133	4,323,370
Long-term service award expense	8,778,296	32,641,989
Total salaries and employee benefits	148,170,269	163,301,713

Of which:

Compensation paid to Key Management Personnel	44,065,884	50,893,237
--	-------------------	-------------------

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

	2022	2021
	JPY	JPY
Payments within 1 year	16,714,560	16,714,560
Payments later than 1 year but within 5 years	32,503,680	43,338,240
Total lease commitments	49,218,240	60,052,800

Office Equipment

	2022	2021
	JPY	JPY
Payments within 1 year	-	38,232
Payments later than 1 year but within 5 years	-	-
Total lease commitments	-	38,232

b. Operating lease expenses

Lease payments recognized as an expense during the year amounted to JPY 16,752,792 (2021: JPY 15,702,384), as detailed below.

Statement of Comprehensive Income line item in which lease expenses are included	Leased item	2022	2021
		JPY	JPY
Rental and maintenance expense	Office and photocopier	10,872,792	9,822,384
Salaries and employee benefits	Residential leases	5,880,000	5,880,000
		16,752,792	15,702,384

c. Security deposits

Security deposits of JPY 12,619,134 (2021: JPY 12,619,134) 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 JPY 16,571,520 (2021: 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 and Office Equipment	Total JPY
Cost at January 1, 2022	48,758,382	14,528,144	14,287,400	77,573,926
Additions	-	-	4,403,346	4,403,346
Disposal	-	-	(5,149,608)	(5,149,608)
Cost at December 31, 2022	48,758,382	14,528,144	13,541,138	76,827,664
Accumulated depreciation at January 1, 2022	(46,313,730)	(6,494,976)	(13,625,298)	(66,434,004)
Disposal	-	-	5,149,608	5,149,608
Depreciation	(2,440,332)	(1,452,816)	(1,121,781)	(5,014,929)
Accumulated depreciation at December 31, 2022	(48,754,062)	(7,947,792)	(9,597,471)	(66,299,325)
Net book value at December 31, 2022	4,320	6,580,352	3,943,667	10,528,339
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

7. Cash and cash equivalents

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

	2022 JPY	2021 JPY
Current	404,195,610	396,846,134
Non-current	3,470,738	2,284,710
Total	407,666,348	399,130,844

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

	2022 JPY	2021 JPY
Current	37,949,546	30,357,279
Non-current	3,470,738	2,284,710
Total	41,420,284	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. In 2022, JPY 1,551,766 (2021: JPY Nil) of the operating expenses were paid to the organizations of the Chair and Vice-Chair of IFIAR as a contribution towards travel costs in relation to IFIAR activities.

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



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

✉ secretariat@ifiar.org | 🌐 www.ifiar.org

☎ +81-(0)3-4510-3495 | 📍 18F Otemachi Financial City Grand Cube, 1-9-2 Otemachi, Chiyoda-ku, Tokyo 100-0004

📍 100-0004 東京都千代田区大手町 1-9-2 大手町フィナンシャルシティグランキューブ 18 階