

## IFIAR 2020 Member Profile – FAOA

<b>1. Jurisdiction</b>	<b>1.1 Insert the name of the jurisdiction in English:</b>  Switzerland
<b>2. Member<sup>1</sup></b>	<p><b>2.1 Insert the name of the Member, both in the local language and in English:</b></p> <p>Eidgenössische Revisionsaufsichtsbehörde RAB          Autorité fédérale de surveillance en matière de révision ASR          Autorità federale di sorveglianza dei revisori ASR          Federal Audit Oversight Authority FAOA</p> <p><b>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</b></p> <p>Bundesgasse 18          P.O. Box          CH-3001 Bern          Switzerland          Phone: +41.31.560.22.22; Fax: +41.31.560.22.23          Email: <a href="mailto:international@rab-asr.ch">international@rab-asr.ch</a>          Website: <a href="http://www.rab-asr.ch">www.rab-asr.ch</a></p> <p><b>2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation:</b></p> <p>The Federal Act on the Licensing and Oversight of Auditors (AOA; SR 221.302; see <a href="#">here</a> ) of 16 December 2005 regulates the licensing and oversight of individuals and firms providing statutory audit services. It aims at assuring the proper performance and quality of audit services (article 1 AOA). The licensing and oversight under the AOA is the responsibility of the FAOA (Art. 28 AOA).</p> <p>The FAOA is responsible for the licensing of all auditors and audit firms carrying out statutory audits and exercises an independent oversight on all audit firms carrying out statutory audits of public interest entities (“audit</p>

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<sup>1</sup> In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.

	<p>firms under state oversight”). It is furthermore responsible for administrative assistance in international matters of audit oversight. The FAOA is entitled to conduct inspections, to give legally binding instructions to restore an orderly situation and to impose administrative as well as criminal sanctions.</p> <p><b>2.4 Have there been any major changes to the Member’s organization or to the governing legislation since completing last year’s Member Profile?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>If yes, please describe these changes with an appropriate level of detail:</b></p> <p>Until 31 December 2019, audit firms under state oversight were licensed for a period of five years (renewable). As of 1 January 2020, the license of audit firms under state oversight is granted for an unlimited period of time (Article 7 para. 3 AOA).</p> <p>The legislator cancelled the status of directly subordinated financial intermediaries (DSFI) with effect from 31 December 2019. Consequently, Article 9a para. 4 AOA was repealed and as of 1 January 2020, there is no longer a special license for audit firms/lead auditors providing regulatory audit services to DSFI.</p> <p>As of 1 January 2020, Self-Regulatory Organisations (SROs) [according to the Anti-Money Laundering Act of 10 October 1997 (AMLA; SR 955.0)] must provide the FAOA all information and documents on audit firms or lead auditors it requires to fulfil its tasks (Article 25a AOA).</p>
<p><b>3. Governing Body Composition and members</b></p>	<p><b>3.1 Describe with an appropriate level of detail the current composition of the Member’s governing body, including the ratio between Board members who are independent from the audit profession and those who are not<sup>2</sup>. The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</b></p> <p>The Board of Directors (“the Board”) is composed of the following persons:</p> <ul style="list-style-type: none"> <li>• Mrs Wanda Eriksen-Grundbacher, Chair</li> <li>• Prof. Dr. Sabine Kilgus, LL.M., Vice Chair</li> <li>• Prof. Dr. Conrad Meyer, Member</li> <li>• Prof. Dr. Daniel Oyon, Member</li> </ul>

<sup>2</sup> An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.

	<ul style="list-style-type: none"> <li>• Mr. Viktor Balli, Member</li> </ul> <p>All Board members must be independent from the audit profession (Art. 30 AOA).</p>
	<p><b>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</b></p> <p>The Federal Council (i.e. the Swiss government) appoints the Board. The Board consists of a maximum of five members who are appointed for a term of office of four years. The members of the Board must be persons of expert knowledge and independent from the audit profession (Art. 30 AOA).</p>
	<p><b>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p>All Board members must be independent from the audit profession (Art. 30 AOA).</p>
	<p><b>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</b></p> <p><input type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p style="text-align: right;">N/A</p>
	<p><b>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member’s overall independence from the audit profession?</b></p> <p style="text-align: right;">N/A</p>
	<p><b>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>Does this include a “cooling-off” period for former auditors?</b></p> <p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p> <p><b>If yes to either of the above, please describe:</b></p> <p>Although the AOA does not explicitly provide for a specific cooling-off period for Board members having past relations to the audit profession,</p>

	<p>international best practices are applied, i.e. a five-year cooling-off period. The current Board complies with this cooling-off period.</p>
	<p><b>3.7 Other than the governing body, are members of the profession involved in the Member's organization (including in any inspections, committee or panel role)?</b></p> <p><input type="checkbox"/> Yes                      <input checked="" type="checkbox"/> No</p> <p><b>If yes, please describe their role with an appropriate level of detail, including the ratio between those who are independent and those who are not in the relevant function and whether such role includes decisional or control authority:</b></p>
<p><b>4. Funding Arrangements</b></p>	<p><b>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</b></p> <p>As an institution under public law, the FAOA is a legal entity with its own legal personality. It performs the oversight independently, is independent in its organization and management, and keeps its own accounts (Art. 28 AOA).</p> <p>The FAOA is exclusively funded by fees and charges levied off registered individuals and firms (Art. 21 AOA and Art. 37 AOO). In order to finance the oversight costs not covered by fees, the FAOA imposes annual oversight charges on audit firms under state oversight on the basis of costs incurred in the accounting year and which take into consideration the economic significance of the audit firm under state oversight. The Federal Council determines the details, in particular the fee schedules, the assessment of the oversight dues and their allocation on audit firms under state oversight.</p> <p>The budget of the FAOA is not subject to approval by the Swiss Government. The CEO submits a draft budget to the FAOA Board which approves the budget as well as the annual accounts.</p> <hr/> <p><b>4.2 Is the funding free from undue influence by the profession?</b></p> <p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <p><b>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</b></p> <p>As described under 4.1., the audit profession is not involved in the setting of fees and approval of the budget (Art. 21 and 28 AOA).</p>
<p><b>5. Inspection System</b></p>	<p><b>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</b></p>

	<p><input checked="" type="checkbox"/> Yes                      <input type="checkbox"/> No</p> <hr/> <p><b>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</b></p> <p><input checked="" type="checkbox"/> Directly                      <input type="checkbox"/> Through Oversight</p> <p>Inspections are performed by experienced FAOA employees who all have auditing background:</p> <ul style="list-style-type: none"> <li>➤ In the Financial Audit Division: <ul style="list-style-type: none"> <li>- 8 inspectors</li> </ul> </li> <li>➤ In the Regulatory Audit Division: <ul style="list-style-type: none"> <li>- 4 inspectors</li> </ul> </li> </ul> <p>Per the FAOA Code of Ethics, all FAOA employees must be independent of the profession.</p> <p>For a detailed description of the FAOA inspection strategy, we kindly invite you to consult the “FAOA oversight concept”, which is a paper available in English on the FAOA’s website (Oversight &gt; Oversight Concept &gt;Oversight Concept Division Financial Audit). More information is also provided in 5.3 below.</p> <p><b>If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight:</b></p> <p style="text-align: center;">N/A</p> <hr/> <p><b>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</b></p> <p>The FAOA subjects audit firms under state oversight to a detailed inspection at least every three years (Art. 16 para. 1 AOA).</p> <p>The following categories of audit firms fall under the scope of the public oversight of the FAOA:</p> <ul style="list-style-type: none"> <li>• Audit firms incorporated under Swiss law providing audit services to public companies (Art. 7 para. 1 AOA); public companies comprise companies having equity securities listed on a Swiss or foreign stock exchange, having outstanding bonds or contributing at least 20 per cent of the assets or of the turnover to the group accounts of such an aforementioned company (significant subsidiaries) (Art. 727 para. 1 no. 1 Swiss Code of Obligations; SR 220; see <a href="#">here</a>);</li> <li>• Audit firms incorporated under foreign law providing audit services to public companies (Art. 8 AOA);</li> </ul>
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	<ul style="list-style-type: none"> <li>• Audit firms not meeting any of the above criteria but licensed as “audit firms under state oversight” on a voluntary basis (Art. 7 para. 2 AOA).</li> </ul> <p>If there is suspicion of an infringement of legal duties, the FAOA undertakes appropriate investigations irrespective of the regular inspection scheme (Art. 16 para. 1<sup>ter</sup> AOA). Due to the strong market position of KPMG, PwC, E&amp;Y, Deloitte and BDO in Switzerland and the market capitalization of the Public Interest Entities audited by them, these five audit firms are inspected by the FAOA on a yearly basis.</p>
<b>6. Audit and Financial Market</b>	<p><b>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member’s oversight or mandate.</b></p> <p>Number of audit firms subject to inspections: 27  Number of PIE companies audited (incl. significant subsidiaries as of December 2019): 1427 (includes PIE companies and entities subject to financial market supervision)</p> <hr/> <p><b>6.2 What are the sizes and market shares of each of the largest audit firms in the Member’s jurisdiction?</b></p> <p>Market share in view of market capitalization of listed audited entities (as of 31 December 2019):</p> <ul style="list-style-type: none"> <li>• KPMG: 52%</li> <li>• PwC: 30%</li> <li>• EY: 13%</li> <li>• Others: 5%</li> </ul>
<b>7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight</b>	<p><b>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</b></p> <p><input checked="" type="checkbox"/> Registration/Licensing  <input checked="" type="checkbox"/> Audit and/or Ethics Standard Setting  <input type="checkbox"/> Permanent Education of Auditors  <input checked="" type="checkbox"/> Enforcement  <input type="checkbox"/> Other: _____</p> <hr/> <p><b>7.2 If the Member has the responsibility for <u>Registration/Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration/Licensing conducted by another organization?</b></p> <p><input checked="" type="checkbox"/> Directly                      <input type="checkbox"/> Through Oversight</p>

	<p><b>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures.</b></p> <p>The FAOA is in charge of the licensing of auditors, audit experts (both can be either individuals and audit firms) and audit firms under state oversight (Art. 3 para. 1 and Art. 15 AOA). The FAOA runs a public and internet-based register listing all licensed individuals and audit firms (see <a href="#">here</a>) (Art. 15 para. 2. AOA and Art. 17-27 AOO). Individuals are licensed for an unlimited period and audit firms for a period of five years (Art. 3 para. 2 AOA). Audit firms under state oversight are licensed for an unlimited period of time (Art. 7 para. 3 AOA). The FAOA also has the competence to withdraw the license (Art. 17 AOA) and to delete entries relating to licenses from the register (Art. 22 AOO).</p> <hr/> <p><b>7.3 If the Member has the responsibility for <u>Audit and/or Ethics Standard Setting</u>, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?</b></p> <p><input checked="" type="checkbox"/> Directly                      <input type="checkbox"/> Through Oversight</p> <p><b>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</b></p> <p>The FAOA has the competence to approve, amend or derogate existing auditing standards or to adopt its own standards. This competence is however limited to standards applying to financial audits of Public Interest Entities (Art 16a para. 2 AOA).</p> <hr/> <p><b>7.4 If the Member has the responsibility for <u>Permanent Education of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?</b></p> <p><input type="checkbox"/> Directly                      <input type="checkbox"/> Through Oversight</p> <p><b>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</b></p> <p>The FAOA does not have the responsibility to educate Auditors.</p>
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	<p><b>7.5 If the Member has the responsibility for <u>Enforcement</u>, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?</b></p> <p><input checked="" type="checkbox"/> Directly                      <input type="checkbox"/> Through Referral</p> <p><b>If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</b></p> <p>The FAOA is entitled to initiate formal investigations (depending on the severity of the infringement, it could be a disciplinary/administrative or a criminal proceeding) and to impose mandatory action or sanctions on individuals and audit firms (Art. 17 and Art. 39-40 AOA, Art. 45 AOO, and Art. 15 of the Ordinance of the FAOA on the Oversight of Audit Firms; OO-FAOA; SR 221.302.33; see <a href="#">here</a>).</p> <hr/> <p><b>7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:</b></p> <p style="text-align: center;">N/A</p>
<p><b>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</b></p>	<p><b>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</b></p> <p>No, it does not. The FAOA’s only mandate is Audit Oversight. This comprises, however, both financial and regulatory audits.</p>
<p><b>9. Major Events and Activities</b></p>	<p><b>9.1 Describe any recent major events and activities:</b></p> <ul style="list-style-type: none"> <li>• <b>Regulatory changes:</b> <ul style="list-style-type: none"> <li>○ Until 31 December 2019, audit firms under state oversight were licensed for a period of five years (renewable). As of 1 January 2020, the license of audit firms under state oversight is granted for an unlimited period of time (Article 7 para. 3 AOA).</li> <li>○ The legislator cancelled the status of directly subordinated financial intermediaries (DSFI) with effect from 31 December 2019. Consequently, Article 9a para. 4 AOA was repealed and as of 1 January 2020, there is no longer a special license for audit firms/lead auditors providing regulatory audit services to DSFI.</li> <li>○ As of 1 January 2020, Self-Regulatory Organisations (SROs) [according to the Anti-Money Laundering Act of 10 October 1997 (AMLA; SR 955.0)] must provide the FAOA</li> </ul> </li> </ul>



	<p>all information and documents on audit firms or lead auditors it requires to fulfil its tasks (Article 25a AOA).</p> <ul style="list-style-type: none"><li>• <b>International cooperation:</b><ul style="list-style-type: none"><li>○ 2019: MoU with Audit Oversight Body of Austria (AOBA)</li></ul></li><li>• <b>Equivalence and adequacy decisions</b> (see <a href="#">here</a>):<ul style="list-style-type: none"><li>○ 24 June 2019: The Certified Public Accountants and Auditing Oversight Board and the Financial Services Agency of Japan decide to acknowledge the equivalence of the Swiss audit oversight system.<sup>3</sup></li></ul></li><li>• <b>IFIAR:</b><ul style="list-style-type: none"><li>○ 17-18 June 2019: First stand-alone Enforcement Workshop hosted by the FAOA in Zurich</li></ul></li></ul>
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<sup>3</sup> <https://www.fsa.go.jp/cpaaob/english/press/20130711.html>