



**INTERNATIONAL FORUM OF
INDEPENDENT AUDIT
REGULATORS (IFIAAR)**

2014 ANNUAL REPORT & ACCOUNTS

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IFIAR's Mission

As of December 31, 2014, the International Forum of Independent Audit Regulators' (IFIAR) membership included independent audit regulators from 51 jurisdictions representing Africa, North America, South America, Asia, Oceania, and Europe.

Throughout 2014, IFIAR continued to focus on the following activities:

- Sharing knowledge of the audit market environment and practical experience of independent audit regulatory activity with a focus on inspections of auditors and audit firms;
- Promoting collaboration and consistency in regulatory activity; and
- Providing a platform for dialogue with other international organizations that have an interest in audit quality.

VISION FOR IFIAR IN THE FUTURE

In their Work plan, the Officers identified the following nine key areas as the Officers' vision for IFIAR in the future:

- To be recognized as a global authority on audit quality issues;
- To be a leading forum for cooperation and a global clearinghouse for the exchange of information on auditing issues;
- To agree on and implement the most effective means possible to get audit

firms to take meaningful actions in response to inspection findings that occur and recur consistently across the jurisdictions represented by IFIAR Members, and to develop a common taxonomy to improve communication among regulators in this regard;

- To broaden and deepen its contacts with non-IFIAR audit regulators;
- To increase its contacts and interactions with other international organizations, both private and public, that work on audit quality issues as well as with both national and international groups that represent investor interests, investors, and audit committees, all with a view to improving audit quality globally;
- To design and implement an ever more effective public communications strategy in the near future, including more frequent contacts by IFIAR representatives with relevant media about the work of IFIAR;
- To augment overall transparency of IFIAR operations;
- To facilitate connecting IFIAR Members willing to offer technical assistance with countries seeking assistance in establishing or strengthening their national audit regulatory functions; and
- To monitor regulatory and legislative developments affecting cross-border audits.

Governance

MEETINGS AND WORKSHOPS

In 2014, one annual Plenary Meeting and one Interim Meeting took place. In 2014, all Members were invited to attend IFIAR's annual Plenary Meeting which was held in Washington D.C., the United States of America, in April 2014. The Interim Meeting was held in Toronto, Canada, in mid-October and was attended by the Officers, the Treasurer, the Advisory Council, the Chairs of the Working Groups and the Leader of the Outreach Team.

OFFICE BEARERS

In April 2013, Lewis Ferguson, Board Member of the United States Public Company Accounting Oversight Board (PCAOB) was elected Chair of IFIAR and Janine van Diggelen, Head of Audit & Reporting Quality Division, Netherlands Authority for the Financial Markets (AFM) was elected as Vice-Chair. Both the Chair and Vice-Chair were elected to serve two year terms which will expire at the conclusion of the 2015 IFIAR Plenary Meeting.

The Officers are assisted and advised by a seven member Advisory Council. Terms for members of the Advisory Council shall be four years. In 2014, the Advisory Council Members were Abu Dhabi (ADAA), Australia (ASIC), Canada (CPAB), France (H3C), Singapore (ACRA), Sri Lanka (SLAASMB) and the United Kingdom (FRC).

WORKING GROUPS

IFIAR currently has the 6 following Working Groups:

Enforcement Working Group (EWG)

- Chair: Takashi Nagaoka, FSA, Japan
- Vice Chair: Claudius Modesti, PCAOB, USA
- Responsible for providing a forum for the Members' enforcement officials to exchange information on effective approaches for investigating and adjudicating alleged auditor misconduct, as well as emerging trends in such enforcement matters.

Global Public Policy Committee Working Group (GPPCWG)

- Chair: Brian Hunt, CPAB, Canada
- Responsible for coordinating IFIAR's ongoing dialogue with the member firms of the GPPC, which comprise the six largest international audit networks (BDO, Deloitte Touche Tohmatsu, EY, Grant Thornton, KPMG and PricewaterhouseCoopers).

Inspection Workshop Working Group (IWWG)

- Chair: Tim Volkmann, AOC, Germany
- Responsible for organizing the annual Inspection Workshop in coordination with an IFIAR Member serving as the Workshop host.

International Cooperation Working Group (ICWG)

- Chair: Doug Niven, ASIC, Australia
- Responsible for considering the ways in which IFIAR Members can cooperate and share information relating to audit firm and audit engagement inspections and identifying areas where IFIAR Members can work more efficiently in collaboration.

Investor and Other Stakeholders Working Group (IOSWG)

- Chair: Steven Harris, PCAOB, USA
- Responsible for organizing IFIAR's dialogue with investor representatives and other stakeholders, in particular audit committees, and for publishing information on the dialogue on the IFIAR website.

Standards Coordination Working Group (SCWG)

- Chair: Marjolein Doblado, H3C, France
- Responsible for establishing a forum for IFIAR Members to share views and have discussions on the auditing standards, as well as maintaining an ongoing

dialogue with the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA), the drafting of comment letters, as well as contributing to IFIAR's input in the Monitoring Group.

OUTREACH TEAM

Since 2013 IFIAR has a dedicated Outreach Team (OT).

- Team Leader: Julia Rendschmidt, AOC, Germany
- Responsible for outreach efforts to non-IFIAR members, the coordination of technical assistance offered by IFIAR Members to non-member jurisdictions which are in the process of developing an independent auditor oversight system; and the collaboration with other international organizations such as the World Bank.

Chair's Report



Lew Ferguson
IFIAR Chair

Dear IFIAR Members,

This is my second and final report to you in my capacity as IFIAR Chair. Janine van Diggelen and I were elected Vice-Chair and Chair, respectively, of IFIAR at the 2013 Plenary Meeting held in Noordwijk. At that meeting, the Membership approved our work plan for the period 2013-2015. The work plan committed the Officers to a number of actions designed to increase the effectiveness and impact of IFIAR as an information sharing forum for its Members and as a leading voice for improved audit quality. That work plan was also based on a recognition that many of the governance and operating structures that had served IFIAR well in its early years needed to be reviewed and possibly modified if the organization was to move to the next stage of its life. This letter is a report on our progress in achieving the goals set forth in the work plan. It is for you to judge our success.

At the outset, I want to acknowledge the debt that Janine and I owe to the Members of the Advisory Council for their valuable contributions to our work and to the Chairs and Members of the IFIAR Working Groups who implemented so effectively a number of the new initiatives.

In the work plan, we set forth six key areas for work:

1. to increase IFIAR's profile and effectiveness as a global authority on audit quality issues;
2. to make IFIAR a leading forum for cooperation and a global clearinghouse for the exchange of information on auditing issues;
3. to urge IFIAR Members to cooperate together to encourage audit firms to take effective actions in response to inspection findings;
4. to broaden and deepen IFIAR's contact with non-IFIAR regulators and other international organizations;
5. to augment the overall transparency and public awareness of IFIAR's operations; and
6. to offer assistance, technical and otherwise, to countries attempting to create independent audit oversight regimes.

These broad goals have required us to examine a number of aspects of IFIAR's operations and governance and to propose certain changes to prepare the organization for the future.

A. GOVERNANCE

IFIAR is a new organization, having been formed in 2006 with 18 Members. The founders adopted an initial governing structure that relies on the Chair and Vice Chair to lead the organization. The Officers are advised by an Advisory Council that is a consultative rather than governing body. All governing decisions are left to the Membership as a whole. The structure requires that the administrative and other secretariat activities of the organization be provided by the Chair and Vice Chair and their organizations. This structure has had the advantage of permitting Membership dues to be maintained at a modest level and provides for wide participation in governance. The disadvantages of the model have become increasingly apparent in recent years, however, as IFIAR's Membership has grown to 51 Members and the organization's activities have increased significantly. The administrative and secretariat burdens of the organization's activities now mean that the Officers' organizations must generally subsidize IFIAR's operations, often to a substantial degree, which in turn makes it difficult for any but the most well-resourced jurisdictions to consider seeking positions as Officers. The movement of the secretariat to different jurisdictions as the Officers change is also disruptive and prevents the creation of a staff with long experience and a permanent body of knowledge of IFIAR's history and activities. Finally, requiring all governance decisions to be taken by the Membership as a whole has become increasingly unwieldy. As a consequence of these factors, over the past two years, the Officers, with the advice of the Advisory Council, have commenced a study of governance changes for IFIAR including the establishment of a permanent secretariat and changes to the financing and governance mechanisms of the organization. The first steps in that process were discussed with the Membership at the 2014 Plenary Meeting in Washington, DC.

For the 2015 Plenary Meeting to be held in Taipei, the Officers will present papers on proposals for: a permanent secretariat to be located permanently in a city in an IFIAR member's jurisdiction; the funding requirements for such a secretariat and how the higher fees that would be required might be allocated among the IFIAR Members; and the possible creation of a governing board that would make routine decisions for the organization led by a Chair and Vice Chair to replace the current governing structure. Major strategic decisions for IFIAR would remain with the Members as a whole. In addition, at the 2015 Plenary Meeting, the several IFIAR Members proposing to host such a permanent secretariat will make presentations to the Membership and a preliminary poll will be taken to gauge the relative attractiveness of the proposals to the Membership.

These are major proposed changes to the structure and governance of IFIAR and as such they require careful and deliberate consideration. While we have not completed our work on the proposed changes during this Officer's term, we are off to a good start and it will be up to the new Officers to shepherd them to the next stage.

B. IMPROVED COORDINATION AND INFORMATION SHARING

We have taken a number of steps to improve cooperation and information sharing among IFIAR Members. An initiative of which I am particularly proud is the Multilateral Memorandum of Understanding (MMOU) on information sharing. Starting just two years ago, and based on a suggestion from our colleagues in Japan, the International Cooperation Working Group (ICWG),

under the leadership of Doug Niven of Australia, has prepared the draft of a MMOU for IFIAR Members that sets forth protocols and procedures that can be used to facilitate information sharing, including work papers and documents for use in enforcement matters, among IFIAR Members. Preparation of such an agreement presented many challenges because of differing laws and regulations among IFIAR Members, but the ICWG has been able to come up with a draft agreement that will be presented for consideration and possible adoption by the IFIAR Members at the 2015 Plenary Meeting. The MMOU may be particularly useful for IFIAR Members that do not have existing bilateral or multilateral agreements on information sharing.

A second aspect of cooperation among IFIAR Members has been the continuing development of the annual inspection training workshops conducted by the Inspections Workshop Working Group, led by Tim Volkmann of Germany. Attendance at these annual events has grown each year. At the most recent workshop held in London, 163 representatives from 43 IFIAR Members attended sessions presented by IFIAR Members and outside speakers from around the world.

C. WORK OF THE GLOBAL PUBLIC POLICY COMMITTEE WORKING GROUP

With respect to the third broad goal in the Officers' work plan, IFIAR's Global Public Policy Committee Working Group (GPPC WG), under the leadership of Brian Hunt of Canada, has sharpened the focus of its discussions with the global leadership of the "big six" audit networks. The Working Group has pushed the firms to provide explanations of the findings of their own internal audit inspections and reconciliations of those findings with the findings that have appeared in the IFIAR annual inspection surveys. In addition, the group has challenged the firms to explain their root cause analyses of the reasons for the persistence of certain audit deficiencies noted by many IFIAR Members in their jurisdictions. Another new initiative by this Working Group has been discussions with the firms of their business models and whether commercial imperatives and developments of new non-audit areas of business pose threats to audit quality.

D. CONTACTS WITH OTHER REGULATORS

We have attempted to increase our contacts with non-IFIAR regulators and with other international organizations. Specifically, IFIAR's Officers and the Chair of the GPPC Working Group now meet periodically with members of the Financial Stability Board's working group on external audit to discuss audits of global systemically important financial institutions. In response to a request from the FSB, IFIAR has structured its annual audit inspection findings report to ask specific questions about Members' findings with respect to large financial institutions. IFIAR has also increased its contact and cooperation with the International Organization of Securities Commissions (IOSCO) on audit related matters. IFIAR representatives also regularly attend meetings of the Monitoring Group, which indirectly oversees international standard setting by the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board (IESBA). In addition, our Standards Coordination Working Group meets regularly with the IAASB and the IESBA. Our Standards Coordinating Working Group, under the leadership of Bernard Agulhas of South Africa and now Marjolein Doblado of France, in the past two years has also begun to prepare a number of comment letters on behalf of IFIAR to the IAASB and the IESBA on their proposed standards and to date has filed five comment letters on behalf of IFIAR.

E. OUTREACH

We have been active in outreach efforts to jurisdictions that are considering setting up independent audit regulators. As an example, IFIAR's outreach team, staffed by representatives from Germany, France and the UK, held an outreach event at the 2014 Inspection Workshop in Kuala Lumpur for representatives from Brunei, Cambodia, Hong Kong and Laos to explain our work and the benefits of independent audit regulation. The outreach team also participated in a World Bank event in Abu Dhabi in June 2014 for representatives from the Middle East and North Africa, and in early 2015 contributed to a World Bank sponsored event in Morocco for representatives from Tunisia and Morocco to explain the benefits of independent audit regulation. Our outreach team is also developing a reference book for current and prospective independent audit regulators to aid them in establishing and further developing an independent audit oversight regime. In 2014, we welcomed five new Members to IFIAR from Botswana, Cayman Islands, the Czech Republic, New Zealand and Turkey's Public Oversight, Accounting and Audit Standards Authority. We have also invited representatives from a number of jurisdictions that have expressed an interest in IFIAR Membership to observe our Plenary Meeting, in an effort to increase our Membership.

F. THEMATIC REVIEW

Led by our colleagues in the Netherlands, IFIAR conducted a Thematic Review surveying our Members regarding IFIAR Core Principles 9 and 11, dealing with our Members' practices and experiences in risk based audit inspections and their mechanisms for reporting inspection findings. The results of this review will be presented to the IFIAR Members at the 2015 Plenary Meeting. The goal of this exercise was both to understand the range and variation in practice in these areas among IFIAR Members and to enable Members to benefit from the experience of other regulators.

G. INSPECTION FINDINGS SURVEY

In 2014, led by the US's PCAOB, IFIAR conducted its third annual survey of inspection findings by IFIAR Members. The survey asked for information about Members' audit inspection findings for listed public interest entities (PIEs) and systemically important financial institutions (SIFIs). The survey asked questions about a specific list of possible findings. Twenty-nine IFIAR Members responded reporting on audits of 948 PIEs and 148 SIFIs. Approximately 47% of PIE audits inspected had at least one finding and 41% of SIFI audits inspected had at least one finding.

For PIEs, the most common deficiencies were:

1. Fair Value Measurement – 156 audits had at least one finding out of 795 inspected (20%)
2. Internal Control Testing – 155 audits had at least one finding out of 638 inspected (24%)
3. Revenue Recognition – 104 audits had at least one finding out of 732 inspected (14%)

For SIFIs, the most common deficiencies were:

1. Valuation of Investments and Securities – 33 audits had at least one finding out of 122 inspected (27%)
2. Internal Control Testing – 26 audits had at least one finding out of 98 inspected (27%)
3. Audit of Allowance for Loan Losses and Loan Impairments – 16 audits had at least one finding out of 95 inspected (17%)

The report was released publicly in March 2015 and is available on IFIAR’s website. The Officers also held a press conference in London on March 3, 2015 to discuss these results.

H. INVESTOR AND OTHER STAKEHOLDERS WORKING GROUP

We have also increased our outreach to investors and the public through our Investor and Other Stakeholders Working Group (IOSWG), led by Steve Harris of the U.S. who will rotate off as Chair at this year’s Plenary Meeting. This Working Group conducted a session at the 2014 Plenary Meeting on communications with audit committees that included not only representatives of the leadership of the “big six” audit networks but a number of audit committee chairs from major institutions around the world. At the 2015 Plenary Meeting, the Working Group with the GPPC Working Group will present both a paper and a panel discussion and breakout sessions on the economic model of a major accounting firm. These efforts have all been designed both to increase the interest and educational content of our Plenary Meetings and to share with our Members some of the best and most forward looking thinking on issues of interest to them.

I. ENFORCEMENT WORKING GROUP

We also created a new Working Group in 2013, an Enforcement Working Group, led by Takashi Nagaoka from Japan, with assistance from Claudius Modesti of the United States. The purpose of this group is to permit Members of IFIAR who have jurisdiction over investigations and enforcement actions involving accountants (not all of our Members have such jurisdiction) to share knowledge, experiences and information with each other. The Working Group has conducted a useful survey of Members’ enforcement regimes and organized an enforcement workshop to take place in Taipei immediately after the 2015 Plenary Meeting. The Working Group is off to a great start and I look forward to its further work in the coming years.

J. MULTILATERAL AUDIT INSPECTION

With IFIAR’s encouragement, and the support of the GPPC Working Group, four of our Members led by, and including, Japan conducted the first multilateral audit inspection of a single issuer with global operations. Barriers to information sharing make such exercises difficult in many cases, but we felt that a look in the same year at various components of the global audit of a multinational enterprise conducted by audit firms in different countries would be a useful exercise. The four countries that participated each conducted examinations of the audit work on that enterprise that had been done in their jurisdictions and shared their findings with each other. We are currently analyzing the results and will make a determination of whether such an exercise should be continued in the future and made part of IFIAR’s regular activities.

K. OTHER MATTERS

In 2014 we significantly changed the format of our Plenary Meetings to focus less on administrative matters and more on substantive and educational matters that would be thought provoking, particularly through the use of breakout sessions. The idea was to enable our Members to interact directly with thought leaders in the financial reporting community about trends both in global economic activity and their implication for auditing and on long term changes in the business of auditing. For example, at the 2014 Plenary Meeting, we held breakout sessions on topics such as the economic model of the auditing firm, audit quality indicators, issues peculiar to small regulators, and regional and national audit initiatives.

L. LOOKING FORWARD

As you can see, we have been busy over the past two years. Janine and I believe that we have made major strides in advancing IFIAR's mission. We hope that we have not only been able to achieve the goals we set out in our work plan but also that we have made IFIAR an organization that is more useful to you as IFIAR Members. We have an ambitious agenda for the last few months of our term and I am confident that with your help IFIAR will continue to grow and evolve as a major force in improving audit quality worldwide.

Lewis H. Ferguson
Chair

IFIAR's Activities in 2014

During 2014, IFIAR held one Plenary Meeting, an Interim Meeting and an Inspection Workshop.

HIGHLIGHTS FROM THE IFIAR PLENARY MEETING

Washington D.C.

April 7-9, 2014

Delegates from 41 independent audit regulators met in Washington to focus on issues related to improving audit quality. The following matters were discussed:

- IFIAR Members discussed the advantages and disadvantages of a Permanent Secretariat. A poll showed that there is interest to encourage the Officers to move forward in providing the Members with more information on the establishment of a Permanent Secretariat.
- IFIAR Members approved the IFIAR Report on the 2013 Inspection Findings Survey. The survey shows that audits of public companies around the world suffer from persistent deficiencies in critical audit areas, raising increasing concern among international audit regulators. The report and an accompanying press release were issued on April 10, 2014 during a special press meeting.
- IFIAR Members heard updates from the Working Group Chairs and discussed and shared their views on several developments in relation to audit quality and audit oversight.
- IFIAR Members received an update on the progress of the IFIAR survey on the Thematic Review of IFIAR's Core Principles 9 & 11.

- IFIAR Members adopted a new communications policy to enhance external and internal communications and to facilitate IFIAR's ability to comment on standard-setting projects.
- IFIAR Members for the first time exchanged views during breakout sessions in its meeting agenda. These breakout sessions were designed to maximize not only the topics discussed at Plenary Meetings, but also to increase the quality of those discussions. The aim of the breakout sessions is to facilitate active participation in discussions of important topics, furthering the goal of sharing knowledge and promoting collaboration amongst IFIAR Members. Summaries of each session were posted on the IFIAR website.

The following topics were covered in breakout sessions:

Audit Quality Indicators

The session discussed some of the projects that regulators and other stakeholders from around the world are currently undertaking to develop a set of empirical standards to evaluate audit quality.

Economic Model of the Audit Firms

This session included a discussion of how the network firms are structured in terms of human capital, financial resources, delivery of both audit and non-audit services and what economic pressures are affecting them.

Risk Assessment

The panel focused on facilitating a discussion about identifying systemic and macroeconomic financial risk, with a view to

understanding how broader risks may translate into audit risk and what role audit oversight regulators may play in monitoring and mitigating risk.

IAASB / IESBA Standards

This panel provided an update on major projects being undertaken by these two international standard-setting boards.

Regional and National Audit Policy Developments

Panelists provided an update on recent initiatives of regional audit regulators through the Association of Southeast Asian Nations (ASEAN) and the European Audit Inspectors Group (EAIG).

Update from Observers

IFIAR's Observers at the Plenary Meeting – the Basel Committee on Banking Supervision (BCBS), European Commission, Financial Stability Board, International Association of Insurance Supervisors (IAIS), International Organization of Securities Commissions (IOSCO), Public Interest Oversight Board (PIOB), and the World Bank – were given the opportunity to give a brief update to IFIAR Members about their key initiatives.

Session for Smaller Regulators

This panel provided a forum that focused on the challenges smaller regulators face and how some have responded to them.

HIGHLIGHTS FROM THE IFIAR INTERIM MEETING

Toronto

October 14-15, 2014

During the Interim Meeting the Advisory Council Members monitored the progress of the activities of IFIAR, its Working Groups and Outreach Team since the Plenary Meeting in Washington. The Advisory Council also advised the Officers in their

preparations for the 2015 Plenary Meeting. The proposed changes to governance and fee structure, the possibility of setting-up a Permanent Secretariat and the draft of a Multilateral Memorandum of Understanding for the sharing of information between IFIAR Members, as well as the Thematic Review, took a central place during this Interim Meeting.

HIGHLIGHTS FROM IFIAR'S WORKING GROUPS AND THE OUTREACH TEAM

Enforcement Working Group

The Enforcement Working Group (EWG) provides a forum for enforcement officials to exchange information on effective approaches for investigating and adjudicating alleged auditor misconduct, as well as emerging trends in such enforcement matters.

During 2014, the EWG held monthly calls and two in-person meetings to exchange views and advance its projects. The EWG first focused on completing its Pilot Survey on the enforcement regimes of the EWG members, with the goal of sharing information and fostering discussion of current and emerging enforcement issues, methodology, and techniques. A summary report of the Pilot Survey was submitted to the 2014 Plenary Meeting in Washington, D.C. Following the Plenary, the EWG continued its efforts in fostering a better understanding of the Members' enforcement regimes by developing a broader survey of all IFIAR Members, building on the experience gained in the Pilot Survey. Findings from the broader survey will be shared at the 2015 Plenary Meeting.

In mid-2014, the EWG embarked on preparations for its first workshop

(Enforcement Workshop), which will be held the day following the conclusion of the 2015 Plenary Meeting. The overall purpose of the Enforcement Workshop is to provide a forum for IFIAR Member professionals to exchange information, share ideas, promote professional development and highlight effective approaches for, among other areas, identifying matters for investigation, investigating and adjudicating alleged auditor misconduct, and sharing information with other regulators. The Enforcement Workshop will feature interactive sessions, each of which will address specific, practical issues faced by enforcement programs.

The EWG continued to work closely with the International Cooperation Working Group on their efforts to draft a broader MMoU for the sharing of information in various areas of audit oversight. The EWG also engaged with the Standards Coordination Working Group to incorporate some of their interests into its survey questionnaire.

The EWG is chaired by Takashi Nagaoka from the Financial Services Agency of Japan. Claudius Modesti of the Public Company Accounting Oversight Board in the United States serves as Vice-Chair. The EWG includes Members from Australia, Finland, Germany, the Netherlands, Portugal, Switzerland, Chinese Taipei, and the United Kingdom.

GPPC Working Group

Through IFIAR's Global Public Policy Committee (GPPC) Working Group, IFIAR carries out an ongoing dialogue with the six largest international audit networks that are members of the GPPC with the objective of improving audit quality on a global basis.

During 2014, the GPPC Working Group met with representatives from each of the six GPPC networks on a collective and individual network basis on three occasions (March, June and October) to discuss a variety of topics, including:

- Processes followed and audit quality findings arising from the networks' 2013 internal quality monitoring reviews and root cause analysis;
- Actions taken by the networks to improve audit quality on a holistic basis and to address the underlying causes of the most frequently identified audit quality issues reported by IFIAR's 2013 Inspection Survey. Examples include the quality of group audits, the design and execution of substantive analytical procedures, tests of internal control, and audits of fair value measurements and revenue recognition;
- The process by which the global networks monitor the effectiveness of Member Firm specific audit quality initiatives and share best practices across the network;
- Challenges and potential solutions for developing a mutually acceptable framework for collating and analysing the data obtained from engagement file reviews. The intended purpose of this framework is to provide a consistent and reliable basis for identifying audit quality issues and assessing the effectiveness of investments made by the networks to improve in these areas over time;
- The future of audit;
- Market and environment risk factors impacting the audit industry; and
- Governance of the Firms.

In addition, at the April 2014 Plenary Meeting in Washington, IFIAR members and GPPC network representatives including all six Global CEOs discussed the

business strategies and models of the networks and how CEOs monitor risks to audit quality; regulatory environments and challenges; and how audit firms can provide more assistance to investors.

The GPPC Working Group is chaired by Brian Hunt, CEO of the Canadian Public Accountability Board (CPAB), and includes IFIAR Members from Australia, France, Germany, Japan, Netherlands, Singapore, the UK and the USA.

Inspection Workshop Working Group

A core activity of independent audit regulators is the ongoing inspections of audit firms. With Member countries from all continents, IFIAR is in a unique position to provide a forum through its annual Inspection Workshops for independent audit regulators to meet and discuss inspection processes, learn from each other, and consider similarities and differences among their inspection practices and methodologies. This information sharing leads to a better understanding of the Members' respective oversight regimes and the identification of better practices in inspecting audit firms. It also promotes greater consistency across regulators, and provides opportunities to discuss approaches to overseeing global audit firms in a coordinated manner.

IFIAR's 8th Inspection Workshop was held in March in Kuala Lumpur. The two and half day workshop started with a key note address by Alex Ng, Chief Investment Officer Asia Pacific of BNP Paribas Investment Partners, Hong Kong. After that the results of IFIAR's second survey in relation to findings from IFIAR members' inspections were presented. This was followed by an update on the activities of IFIAR's GPPC Working Group. For the first time, participants had the opportunity

during the coffee breaks of day one to learn about specific topics presented by two IFIAR members in the form of poster sessions. One poster was related to audit quality measures at the large audit firms. The other poster presented the European Database on Audit Inspection findings launched by the European Audit Inspection Group (www.eaigweb.org).

Day two of the workshop started with two break-out sessions covering specific topics from the agenda of the GPPC Working Group, in particular initiatives taken by global networks shared with the GPPC Working Group, as well as in-depth discussions around the topic of a risk-based inspection approach, including case studies on the use of risk assessment in selecting audit engagements for inspections.

The 13 elective sessions on day two and three of the event covered the following topics: inspection issues in specialized industries, inspections of small/medium sized audit firms, internal control testing and the use of IT specialists, inspection of bank audits, materiality of inspection findings and disciplinary actions, follow up of evaluation of firms' action plans, inspection documentation, thematic inspections, selected topics related to the second IFIAR survey on inspection observations, integration of corporate reporting inspections and audit quality inspections, the UK model for reporting to Audit Committees, the detection of potential regulatory risks related to fees charged by auditors for non-audit services and inspecting the auditor's responsibility relating to fraud and anti-money laundering. In order to better meet the expectations of participants with different levels of experience, some of these sessions were offered at different levels (basic/advanced).

The attendees of the Inspection Workshops are generally managers of inspections programs and their senior staff, representing almost all IFIAR Members. This broad attendance reflects the high-level interest and value of the Inspection Workshops. The next Workshop will be held in March 2015 in London at the invitation of the UK Financial Reporting Council.

IFIAR's Inspection Workshops are prepared and led by the Inspection Workshop Working Group. The Group is chaired by Tim Volkmann of the German Auditor Oversight Commission, and includes IFIAR Members from Abu Dhabi, Canada, France, Luxemburg, Japan, Switzerland, UK and USA.

International Cooperation Working Group

The International Cooperation Working Group (ICWG) considers and reports to the IFIAR membership on ways in which Members can cooperate and share information on Members' activities so as to enhance the effectiveness and efficiency of audit oversight processes and contribute to audit quality. In particular, the ICWG identifies areas where IFIAR Members can work more effectively in collaboration than in isolation, and then designs and implements work streams to facilitate such collaboration.

During 2014, the main activity of the ICWG has been developing a draft Multilateral Memorandum of Understanding (MMoU) for the sharing of information between IFIAR Members in the context of areas such as investigations and enforcement, inspections and registration of auditors. Significant effort has been made to facilitate the maximum sharing of information within the constraints of confidentiality requirements in individual jurisdictions. The ICWG will also consider the

development of an assessment process to accompany the MMoU. A draft MMoU and explanatory note will be considered by IFIAR Members at the 2015 Plenary Meeting in Taipei.

When finished and executed, the MMoU will assist IFIAR Members in promoting audit quality by facilitating greater cooperation and information exchange with other regulators so as to ensure the most effective and efficient regulation of auditors. Such cooperation is in the interests of market confidence in the quality of independently audited financial reports and minimizing unnecessary duplication of effort.

Members of the ICWG also:

- Finalized the results of a survey of IFIAR Members to assist IFIAR Members in understanding the extent and effectiveness of information sharing currently taking place between those regulators; and
- Exchanged information on developments on international cooperation in the jurisdictions and regions of Working Group Members.

The ICWG is chaired by Doug Niven from ASIC of Australia and includes IFIAR Members from Canada, France, Italy, Japan, Korea, Sweden, Switzerland, the United Kingdom and the United States.

Investor and Other Stakeholders Working Group

During 2014, the Investor Working Group continued its efforts to enhance IFIAR's dialogue with investors by hosting IFIAR's seventh investor session at the Plenary Meeting and increasing the transparency of IFIAR's work with investors through the publication of various documents on the IFIAR website. At the 2014 Plenary Meeting

in Washington, D.C., the group's revised terms of reference were approved to expand the activities of the Working Group to provide for interaction with other stakeholders such as economists, academics and audit committee members who have an interest in audit-related matters. The new name of the group, Investor and Other Stakeholders Working Group (IOSWG), reflects that change.

At the 2014 Plenary Meeting, the IOSWG and the Global Public Policy Committee Working Group (GPPC WG) jointly hosted a session featuring six panelists including top flight investors, audit committee members and a Chief Executive Officer of one of the four major auditing firms.

The panelists were: Dr. Werner Brandt, a member of the Executive Board and the Chief Financial Officer (CFO) of SAP AG, a company that generated over \$17 billion in revenue in 2013, and does business in over 180 different markets; Linda de Beer, Chair of the Consultative Advisory Group (CAG) of the International Audit and Assurance Standards Board and an independent non-executive Director on the boards of three South African listed companies; Fumio Muraoka, a Director and Chairman of the audit committee of Toshiba Corporation and a member of the International Financial Reporting Standards (IFRS) Advisory Council; Dennis Nally, Chairman of PriceWaterhouseCoopers International Ltd.; Don Nicolaisen, Chairman of the audit committee of Morgan Stanley and a former Chief Accountant of the U.S. Securities and Exchange Commission; and Ralph Whitworth, founder of Relational Investors LLC, a major asset management firm in the United States, and interim Chairman of the Hewlett-Packard Board of Directors. The panelists addressed three questions: What do investors expect from audit committees? How can audit committees and auditors best meet the needs of investors? How can

audit regulators assist audit committees in performing their jobs? The background document prepared for this session by the Working Groups met with such success that IFIAR Members approved it for publication on the website. Similarly, in order to have an historical record of the session, the IOSWG summarized the content of the session, including the topics discussed and the recommendations made by the panelists; this document also was posted to the IFIAR website.

At the 2014 Plenary Meeting, the Working Group, under the direction of Steve Harris, agreed to organize another joint panel with the GPPC WG, this time focusing on the economic model of the audit firm. An initial draft of a background paper, entitled "Current Trends in the Audit Industry", was prepared under the direction of Brian Hunt, CEO of the Canadian Public Accountability Board, and Chair of the GPPCWG and circulated to both Working Groups, which made a number of significant additions to the paper. Participants at the 2014 Interim Meeting made important contributions as well.

The IOSWG welcomed two new Members in 2014: Singapore and South Africa. They join Canada, France, Japan, Korea, the Netherlands, the UK and the United States. The IOSWG is chaired by Steve Harris, Board Member of the United States' Public Company Accounting Oversight Board (PCAOB).

Standards Coordination Working Group

The SCWG is responsible for establishing a forum for IFIAR Members to share views and concerns about pronouncements from the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA).

In 2014, the SCWG focused on a number of topics related to standards and ethics. More specifically, the group shared views and analyzed the major projects on the standard setters' agendas and discussed the way forward on the following topics: IAASB Strategy and Work Plan for 2015-2019, Auditor's Report, The Auditor's Responsibilities Relating to Other Information, Audit of Disclosures, Audit Quality Framework, IESBA Strategy and Work Plan for 2014-18, Non-Compliance with Laws and Regulations (NOCLAR), Structure of the Code of Ethics, Provisions regarding Non-Assurance Services.

The members also discussed upcoming topics in the various jurisdictions represented and changes in the national laws and regulations of interest to the SCWG.

During the year, the SCWG formalized consensus views for the IFIAR membership on three of the projects put forward by the IAASB. As a result, following comment letters were issued:

- in May 2014, a response to the Consultation Paper "The IAASB's Proposed Strategy for 2015-2019 and The IAASB's Proposed Work Program for 2015-2016",
- in August 2014, a response to the Exposure Draft: "Proposed International Standard on Auditing (ISA) 720 (Revised) -the Auditor's Responsibilities Relating to Other Information", and
- in October 2014, a response to the Exposure Draft: "Addressing Disclosures in the Audit of Financial Statements".

These comment letters, publicly available on the IFIAR website, reflect the experience of the audit regulators stemming from

inspections, and for several of them, refer back to the Global Survey of Inspection Findings conducted for the first time in 2012 by IFIAR.

The SCWG also monitored the development of IESBA projects related to ethics for auditors and more particularly the project related to "Responding to Non-Compliance with Laws and Regulations", the consultation on "the Strategy and Work Program for 2014-18" and the revision of "Non-Assurance Services provisions".

Several meetings with the international standard-setters were organized in 2014, most notably during the IFIAR plenary meeting in Washington in April where IAASB representatives took part in a panel during which key on-going projects and responses to comments from IFIAR and other audit regulators were discussed. Representatives from IESBA took part in the meeting and presented the way forward envisaged by the Board on the project of NOCLAR including anti-money laundering, Safeguards, Structure of the Code and Non-Assurance Services.

The SCWG received both IAASB and IESBA chairs and representatives for a dedicated meeting held in October 2014 in Toronto to follow-up on comment letters issued and discuss the scoping of the new projects, namely, Quality Control, Group Audit, Professional skepticism, Financial Institutions, Structure of the Code of ethics, IESBA Strategy and Work plan for 2014-18, Long Association, Non-Assurance Services, and NOCLAR.

Discussions were also organized with members of two IAASB task forces as a follow-up to the IFIAR comment letters issued on Audit Reporting and Other information (ISA 720) in August and October 2014.

The SCWG is chaired by Marjolein Doblado from the Haut Conseil du Commissariat aux Comptes (H3C - France) since April 2014. It was previously chaired by Bernard Agulhas from the Independent Regulatory Board for Auditors (IRBA South Africa). The group includes members from Australia, Canada, Germany, Italy, Japan, the Netherlands, South Africa, Spain, Switzerland, the United Kingdom and the United States.

Outreach Team

Since 2013, IFIAR has increased its dialogue with non-Member jurisdictions which are in the process of developing an independent auditor oversight regime. This is done with a view to sharing the experiences of IFIAR members and contributing to the efforts of other international bodies such as the World Bank in promoting public oversight regimes. IFIAR believes that a proactive approach in sharing insights on the different models of audit oversight systems provides an important tool to encourage other jurisdictions to create and implement strong frameworks of independent oversight. It is the initial steps which are crucial in establishing a culture of change and regulation. Both the IFIAR Charter and the IFIAR's Core Principles serve as guidelines towards establishing a new auditor oversight system and initiating independent audit regulation.

The primary purpose of the Outreach effort is to contribute to IFIAR's leadership role as the foremost international forum in the area of independent auditor oversight. IFIAR wishes to serve as a facilitator for non-Members who seek to enhance their national supervisory practices and oversight systems and explore possibilities to adhere to international best practices. Though the eventual fulfilment of IFIAR's membership requirements is encouraged, the Outreach Team does not conduct their outreach

efforts as recruitment practices to build IFIAR's membership ranks - but rather seeks to work towards promoting IFIAR and its activities to promote independent audit oversight systems in other countries.

Within this framework, the Outreach Team has fostered dialogue with numerous representatives from various non-Member jurisdictions in the different continents. The initial key challenges were to identify the seeds of change within these jurisdictions, assessing the incentives or catalysts that may drive these changes while identifying key contact persons or organizations that would serve as driving forces in this process. As would be expected, the focus of the effort is on sizeable economies and important financial markets.

Important opportunities to offer support, advice and assistance are multi-stakeholder events and other regional activities where a dialogue on the importance of independent auditor oversight can be established. In 2014, the Outreach Team was active in organizing and participating in key international stakeholder events, which included:

- Kuala Lumpur: IFIAR's first outreach event with non-Member jurisdictions from the South East Asian region, including delegates from: Brunei, Cambodia, Hong Kong and Lao People's Democratic Republic
- Abu Dhabi: Key presentation in the World Bank organized event "The Exchange - Strengthening Financial Management Institutions, Strengthening MENA", highlighting the important role independent audit oversight plays in the capital markets.
- Washington: Informal dialogue with significant interested jurisdictions.

It will also continue to organize regional events to meet with non-Member jurisdictions interested in furthering their national processes towards independent oversight. IFIAR plans to continue its productive relationship with the World Bank and other organizations in exploring the different avenues to encourage international best practices.

The Outreach Task Force is staffed and funded by the H3C (France), the FRC (UK) and the AOC (Germany), who also leads the effort.

Developments in IFIAR Member Jurisdictions

The following are brief summaries and highlights of IFIAR Members' activities and developments in audit regulation in their jurisdictions during 2014:

ABU DHABI - Abu Dhabi Accountability Authority (ADAA)

The ADAA continued to review the audit files of statutory auditors to assess the quality of audit procedures performed in accordance with International Standards and prevailing laws and regulations in order to enhance users' confidence in the accuracy and transparency of financial statements. ADAA also continued monitoring subject entities' process of appointing and reappointing their statutory auditors, in accordance with the Statutory Auditors Appointment Rules (SAAR), to ensure that financial statements audits were awarded in an objective manner to the statutory auditor that demonstrated the highest level of relevant expertise and quality.

During 2014, ADAA examined 73 financial statements and the work of statutory auditors appointed by subject entities. These examinations highlighted a number of areas where improvements are required, such as:

- Auditing management accounting estimates and fair value judgements;
- Financial statements presentation and disclosures;
- Procedures performed by statutory auditors to test and rely on the internal controls;
- Auditing the allowance for loan losses and loan impairments;
- Reliance on the work of Experts and Specialists;
- Procedures pertaining to group audits; and
- Auditors' communication with those charged with governance.

Statutory auditors' audit files examined were selected based on ADAA's risk-based approach that employs both quantitative and qualitative factors and all examinations' findings were communicated in writing to both the statutory auditors and subject entities.

The ADAA maintained its ongoing dialogue with the international accounting firms, through chairing the Abu Dhabi Technical Forum (ADTF), which is comprised of UAE based audit professionals of the international accounting firms, with the aim of eliminating the inconsistency in the interpretation and application of accounting standards as well as identifying and addressing the root causes of quality issues. During 2014, ADAA met with the accounting firms 5 times and issued 26 publications featuring recommendations to enhance the role of audit committees, as well as accounting and financial reporting topics.

In September 2014, the ADAA issued the second edition of the SAAR to legislate for mandatory rotation of the audit firm and audit engagement partner appointed as statutory auditor every 4 years with a mandatory cooling off period of four years, in addition to more restrictions over the non-audit services provided by the statutory auditors.

AUSTRALIA- Australia Securities and Investment Commission (ASIC)

ASIC is both an audit oversight regulator and securities regulator. ASIC's regulation of audit and financial reporting quality contributes to confident and informed markets and investors.

ASIC's audit inspection findings

In June 2014 ASIC issued its most recent report covering the results of its audit firm inspections completed in the 18 months to 31 December 2013 (Report 397 *Audit inspection program report for 2012-13*).

There is a need for audit firms to improve audit quality and the consistency of audit execution. While firms have made good efforts to improve audit quality, these are yet to be reflected in ASIC's risk-based inspection findings. In ASIC's view, in 20% of the 454 key audit areas that ASIC reviewed on a risk basis over 107 audit files of firms of different sizes, auditors did not obtain reasonable assurance that the financial report as a whole was free of material misstatement. This compares to 18% for the previous 18 month period.

In eight cases, ASIC followed up matters with the companies concerned. In six of these cases, ASIC's inquiries led to material adjustments to the amounts of both the net assets and profits. One company made additional disclosures.

ASIC's separate risk-based surveillance of the financial reports of public interest entities led to material changes to 4% of the financial reports of public interest entities reviewed by ASIC for reporting periods ended 30 June 2010 to 30 June 2013.

While the overall level of audit inspection findings has not yet improved, the largest six audit firms only finalized action plans to improve audit quality for 30 June 2013 year ends, and these plans are yet to have full effect.

ASIC identified three broad areas requiring improvement by audit firms:

- (a) the sufficiency and appropriateness of audit evidence obtained by the auditor;
- (b) the level of professional skepticism exercised by auditors; and
- (c) ensuring appropriate reliance on the work of other auditors and experts.

Many of ASIC's findings related to accounting estimates and accounting policy choices, including the impairment of non-financial assets. ASIC's report encouraged firms to consider reviewing their staffing structures to ensure that sufficient and appropriate experience and expertise is available for increasingly complex entities and audits that require significant judgments.

The ASIC report also outlined:

- areas that auditors might consider to improve audit quality and the consistency of audit execution;
- future areas of focus for ASIC's inspections;
- lessons for auditors from ASIC's audit surveillance activities in recent years. In addition to regular audit firm inspections, ASIC reviews audits based on specific concerns that may lead to action against auditors;
- findings from ASIC's review of the first mandatory audit firm transparency reports; and

- how audit committees, standard setters, accounting bodies and others can contribute to audit quality.

Other ASIC initiatives

ASIC continues to work with other audit oversight regulators and securities regulators internationally on strategies to improve firm audit quality. ASIC has also suggested improvements to the international auditing and ethical standards, which are the basis for the standards used in Australia. In 2014 ASIC issued Information Sheet 196 *Audit quality: The role of directors and audit committees* to assist directors and audit committees in their role in supporting audit quality in areas such as the appointment of auditors, setting fees and ongoing assessment of audit quality.

ASIC obtained enforceable undertakings from two individuals to cease practicing as company auditors for varying periods. ASIC also obtained undertakings from two other auditors to have an independent auditor review their independence systems and staff training. Another auditor was referred to the Company Auditors and Liquidators Disciplinary Board for failing to comply with conditions of an earlier undertaking.

From 1 July 2014, ASIC commenced issuing media releases identifying companies that make material changes to information in financial reports following ASIC enquiries and 3 such releases were issued during the second half of 2014.

AUSTRIA - Austrian Auditors Supervisory Authority (ASA)

An effective supervision strengthens public confidence in statutory audits and also makes an important contribution to sustainable economic development in Austria. The activities of the ASA in 2014 brought further improvement of the quality assurance system and therefore contributed to an effective supervision that leads to improved audit quality.

As the third 3-years cycle of reviews of audit firms of public interest entities (PIE) was concluded, the ASA was able to determine whether the audit firms have properly complied with their professional duties. In this regard, administrative penalties and other measures were imposed.

The ASA approved 4 audit firms in 2014. A total of 518 audit firms and auditors (411 audit firms, 107 auditors) were registered with the ASA (as at December 31, 2014). The ASA determined 17 audit firms which carry out statutory audits of PIEs in 2014.

At European level, the ASA provided expert opinions regarding the implementation process on the new EU regulatory framework on statutory audit (Directive 2014/56/EU and Regulation (EU) No 537/2014) whenever needed. Apart from that, 2014 was used to enhance cross-border cooperation by attending the meetings of the European Group of Auditors' Oversight Bodies (EGAOB) and the European Audit Inspection Group (EAIG).

BRAZIL - Securities and Exchange Commission (CVM)

During 2014, CVM continued its inspection program scheduled for the 2013-2014 period and conducted 11 inspections on audit firms to assess their compliance with the policies and procedures relative to accounting and auditing standards and regulations.

The main problems found were related to lack of adherence to audit procedures; insufficient documentation to support auditor's findings; failure to properly document and organize audit papers; deficiencies in internal quality control; and inadequacy of internal quality control system reports.

As a result, CVM has issued several warning notices and has initiated four Disciplinary Proceedings.

Throughout the year, the number of auditors granted CVM registration totaled 25, while 26 auditors had their registration canceled.

A new rule, CVM Instruction No. 545, was issued on 29 January 2014 setting a legal framework to define situations that could trigger summary administrative proceedings for certain market participants. Regarding independent auditors, failure to comply with the deadlines to provide periodic and non-periodic information and to communicate material violations can result in such summary administrative proceedings.

BULGARIA - Commission for Public Oversight of Statutory Auditors (CPOSA)

During the year under review 68 inspections were carried out of which 54 of sole practitioners and 14 of audit firms.

CPOSA conducted 13 investigations in relation to quality activities of statutory auditors and audit firms carried out engagements for independent financial audit of the annual financial statements from received signals for alleged violations. As a result of investigations which were carried out during the annual period in connection with the signals, there were two issued penalty decrees.

CPOSA carried out three investigations on its own initiative in the field of power engineering and banking.

In 2014 CPOSA continued to work for increasing the efficiency of quality control activities of statutory auditors auditing the annual financial statements of public-interest entities. The Commission has defined objective criteria for evaluating the adequacy of time and human resources and approved a standard for the implementation of risk-based approach.

Representatives of CPOSA actively participate in international meetings organized in connection with the new audit legislation. Within the Commission has established a working group on the transposition of Directive 2014/56/EU and prepare draft of independent financial audit act. The upcoming legislation changes are expected to increase the confidence of investors and stakeholders, raising confidence of users of financial statements and eventually would reduce the concentration of audit market services. These expectations are the reason for the recommendations of the European legislation to strengthen public oversight of statutory auditors, in order to reinforce the independence of the national competent authorities and providing them with adequate powers to perform their supervisory functions.

CANADA - Canadian Public Accountability Board (CPAB)

CPAB continued its efforts to further enhance audit quality in Canada by focusing on four priority areas during 2014. These areas include: 1) stakeholder engagement; 2) thought leadership; 3) risk management; and 4) focused, effective inspections.

During 2014, CPAB reviewed 174 audit engagement files as part of the inspection of 42 firms to assess the effectiveness and implementation of the audit firms' policies and procedures relative to accounting and auditing standards. A Protocol for the communication of significant audit file inspection findings to audit committees was developed in consultation with key stakeholders and implemented in March 2014. CPAB defines a significant inspection finding as a significant deficiency in the application of generally accepted auditing standards related to a material financial balance or transaction stream where the audit firm must perform additional audit work in the current year to support the audit opinion and/or is required to make significant changes to its audit approach.

In November 2014, CPAB hosted Canada's third Audit Quality Symposium, bringing together directors, business leaders, regulators, standard setters and academics from around the world. Participants engaged in robust discussions on audit quality issues, including regulatory developments impacting capital markets and emerging trends.

CAYMAN ISLANDS - Auditors Oversight Authority (AOA)

The year 2014 continued to be a year of development for the Auditors Oversight Authority (AOA) of the Cayman Islands. Importantly we became a member of IFIAR in 2014 and our Managing Director attended the 2014 Plenary Meeting held in Washington, D.C.

We were, however, disappointed we were not able to commence inspecting firms in 2014. Nevertheless we were able to accomplish much in terms of being in a position to start inspections in 2015 of firms registering with us, a process which started on January 15.

Before we could commence inspections of firms regulations had to be made under the legislation (The Auditors Oversight Law) establishing AOA and this was achieved by the Cabinet of the Cayman Islands government publishing the regulations under date of November 19, 2014.

Although not a condition precedent to conducting inspections in 2014 (publication of the regulations was) we proposed late in 2014 amendments to the Auditors Oversight Law to, among other things, include two additional categories of audits to fall under our oversight and to clarify and enhance AOA's ability to provide assistance to and co-operate with overseas auditor oversight bodies. We expect these amendments to receive Legislative Assembly approval early in 2015.

In the meantime, we have been preparing for the start of our inspections in 2015. We have met with the body we have sub contracted to conduct inspections on our behalf under our direction and have developed documentation for use when firm inspections commence in 2015. Last but certainly not least, we have established a website which we encourage you all to visit to learn more about AOA.

CROATIA - Audit Public Oversight Committee (APOC)

During 2014, the Audit Public Oversight Committee (APOC) continued the public oversight of the Chamber of Auditors, audit firms, independent auditors and certified auditors. The APOC performs inspection of audit firms, independent auditors and certified auditors via the Chamber of Auditors, via certified experts or the competent state authorities.

Inspection activities of the Chamber of Auditors in 2014 were done according to the Plan for Quality Assurance Reviews 2013/2014 and the Plan Quality Assurance Reviews 2014/2015, approved by the Audit Public Oversight Committee.

In 2014 the Chamber of Auditors conducted 75 inspections of audit firms of which 1 inspection was initiated by the Audit Public Oversight Committee and third parties (e.g. the Croatian National Bank and the Croatian Financial Supervisory Agency).

During 2014, the APOC continued its activities regarding approval of documents and activities carried out by the Chamber of Auditors (e.g. organization of examinations and the issuing of certified auditor certificates, financial plan, final results of the audit quality control). The Audit Public Oversight Committee reviews the annual activity report of the Chamber of Auditors, also. After the Audit Public Oversight Committee has reviewed and given its opinion on the activity report of the Chamber of Auditors, the Chamber of Auditors submits it to the Government of the Republic of Croatia within a period of 30 days.

In November 2014, the Audit Public Oversight Committee initiated the oversight of the Chamber's work regarding the Chamber inspection activities in 2011 and 2012.

Finally, the APOC participates in Transposition workshops on the new EU legal framework on statutory audit organized within European Commission.

CZECH REPUBLIC - Public Audit Oversight Board (PAOB)

During 2014, the PAOB continued with oversight quality inspections that were carried out by the Chamber of Auditors in line with the rules stipulated by the Act on Auditors. Inspections were chaired by non-practicing quality inspectors who are fully responsible for their proper execution. All quality inspectors were directly appointed and authorized by the PAOB to look into the auditor's file within the Framework of the quality inspections.

Currently there are 321 public interest entities that are audited by 49 audit companies or individual auditors. Out of these, 21 were reviewed during 2014.

In addition, during the year members of the Quality Control Systems and Disciplinary Proceedings Committee reviewed work of the Supervisory and Disciplinary Committees of the Chamber. The PAOB also carried out an independent oversight and evaluation of the courses and exams required as qualification for would-be auditors to become statutory auditors; (PAOB) analyzed potential improvements in the system of continuous education of statutory auditors to better quality of audits.

Members of the PAOB also cooperated with the authorities in charge of public supervision over auditors from the other European Member States and from third countries, under the terms and conditions as stipulated in the present Act on Auditors; cooperated with the Czech

National Bank in the area of supervision over auditors performing audit activities in respect of entities subjected to supervision by the Czech National Bank; acted in the capacity of the body of appeals in cases as stipulated in the legislation and reviewed any proposed amendments of internal regulations or draft internal regulations of the Chamber prior to their approval by the Assembly or by the Executive Committee.

DENMARK - Danish Business Authority (DBA)

During 2014, the Danish Business Authority continued its oversight of audit firms and auditors. The inspection of audit firms auditing public interest entities was carried out by inspectors at the DBA. The inspection program included 5 audit firms out of 16 PIE audit firms. The DBA, in addition, supervised the recurring quality assurance review of non-PIE audit firms (auditors).

PIE audit firms are inspected at least every third year (non-PIE audit firms at least every sixth year). For both types of audit firm the inspectors review procedures at the firm level as well as samples of engagements. The supervisory board has decided certain focus areas for the inspection such as going concern, group audits, independence, turnover etc.

Mid 2014 DBA entered into an agreement with the PCAOB to cooperate in the oversight of auditors and audit firms that fall within both parties responsibility. The first joint inspection in Denmark will take place early in 2015.

The inspection of the auditors' compliance with the requirements of continuing education over a cycle of three years has resulted in withdrawal of several licenses. Over the recent years we have experienced a decline in the numbers of auditors as well as the number of audit firms.

DUBAI INTERNATIONAL FINANCIAL CENTRE - Dubai Financial Services Authority (DFSA)

The DFSA's audit monitoring program aims to promote high-quality external audits of financial reports issued in accordance with the DFSA Rules. The purpose of our audit monitoring program is to assess whether Registered Auditors (auditors) in the Dubai International Financial Centre (DIFC) meet the appropriate international standards.

During 2014, of the seventeen auditors registered with the DFSA, its audit monitoring team conducted seven on-site assessments, assessed thirteen Audit Principals and reviewed twenty-two audit engagement files focusing on the substance of Auditor's work and assessing whether sufficient and appropriate evidence was obtained and documented to support the conclusions reached in relation to key audit judgments.

In 2014, the DFSA published its second audit monitoring report covering audit inspections conducted by the DFSA in 2013. This Report presented a comparison with the results of 2012 and was well-received by the stakeholders.

His Highness Sheikh Mohammed Bin Rashid Al Maktoum, UAE Vice President and Prime Minister in his capacity as the Ruler of Dubai, enacted the Dubai International Financial Centre (DIFC) Laws Amendment Law 2014. The Law amending the Regulatory Law 2004 and various other DIFC laws came into force on 21 August 2014 and made a number of significant changes

to the DFSA's regulatory regime, including the Auditor Regime. As a result, a dedicated Auditor (AUD) Module was introduced, combining all relevant requirements for auditors of DFSA Authorised Firms, Domestic Funds, Authorised Market Institutions and Public Listed Companies.

In February, 2014, the DFSA hosted its fifth Annual Audit Outreach for its auditors. Over 75 Audit Principals, Money Laundering Reporting Officers and key audit staff participated. The DFSA presented key findings of audit inspections conducted by the DFSA in 2013.

On the international front, the DFSA contributed by delivering sessions at IFIAR's 8th Inspection Workshop. Staff of the DFSA also gave a presentation on "The Profession's Role in Improving Public Oversight" at the second Accountancy Development for Results (ADR) global event hosted by the World Bank and the International Federation of Accountants in November. The ADR event attracted 120 senior figures from around the world to debate and discuss how professional accountancy bodies in developing countries can work in partnership with their members to strengthen national and regional professions and to enhance their role in improving public accountability, transparency and the climate for investment. The DFSA also presented at the 2014 Public Company Audit Oversight Board (PCAOB) International Auditor Regulatory Institute on the topic of "Issues Facing Regulators from Emerging Markets". The event was attended by participants from 30 jurisdictions.

The DFSA conducted its first workshop for Audit Principals. This workshop focused on the key regulatory changes resulting from the enhanced Auditor Regime.

Finally, the DFSA has been authorised as an "ACA Training Employer" by the Institute of Chartered Accountants in England and Wales (ICAEW). ACA is ICAEW's Chartered Accountant qualification and will provide our Emirati graduates and other employees a combination of technical knowledge, professional skills and practical experience.

EGYPT - Auditors Oversight Board (AOB)

In 2014 the AOB of the Egyptian Financial Supervisory Authority has managed to shift its focus towards ensuring a better audit quality in the market. This was successfully done through the off-site inspection of the 375 registered auditors along with the implementation of the annual program of regular inspection that covered ten audit firms of different sizes. The AOB has consulted with firms regarding ways to overcome the deficiencies listed in their inspection reports while imposing sanctions on the violators when appropriate.

The AOB has also participated in the committee formed to review and update the Egyptian Accounting Standards to ensure that they are aligned with the recent developments of the different sectors. It is expected that the updated Standards will be issued in 2015. The committee also included in its membership the Egyptian Society of Accountants and Auditors and the Accountability State Authority as well as other concerned entities. Moreover and following the issuance of the first law regulating microfinance activity in Egypt, the AOB issued the requirements and guidelines for a new registry for the auditors of the financial statements of companies and associations engaged in that activity.

During 2014, the AOB also issued periodic circulars to the auditors including the most common findings of the inspection reports that require correction and means of doing so. In addition, the Unit hosted a number of meetings with auditors to discuss potential for

developing the audit profession in Egypt. Also, representatives of the Unit attended national and international conferences during the said year in an attempt to learn about the relevant international best practices and adopt them to the Egyptian audit sector. Moreover, the unified licence system has been implemented by the Unit to allow registered auditors to audit companies across the different sectors supervised by EFSA.

Finally, the AOB investigated in 2014 a number of complaints filed against some audit firms accusing them of not fulfilling their duties, and issued recommendations for corrective measures or imposed sanctions if needed. These included revoking the license of three auditors.

FINLAND - The Auditing Board of the Central Chamber of Commerce (AB3C)

The AB3C continued to approve auditors and audit firms and to administer auditor registration in Finland. The registration technology was renewed. In 2014, the AB3C organized professional examinations and processed applications for the authorization of audit firms. At the end of 2014, there were 780 KHT auditors (authorized by the AB3C), 637 HTM auditors (authorized by local Auditing Committees of the Chambers of Commerce), 38 KHT audit firms and 32 HTM audit firms in Finland.

The AB3C conducted investigations and inspections under its auditor oversight regime. In 2014, the independent quality assurance team of AB3C continued the second three year inspection cycle relating to PIE sector audit firms. While the main focus was on the efficiency of the audit firm's quality assurance systems during the first three year inspection cycle, the focus will be transferred to the file reviews during the second three year inspection cycle. The quality assurance team of AB3C started the first thematic review relating to qualified auditor's reports. In 2014, the quality assurance team organized and monitored quality inspections of 102 auditors and the inspection fieldwork being performed by practitioners in the non-PIE sector. Cooperation with the Financial Supervisory Authority, which oversees listed companies and credit institutions, continued.

The AB3C developed its international cooperation at the Nordic, European and global levels. The AB3C met with Nordic colleagues in an informal meeting. The AB3C participated in the EGAOB (European Group of Auditors' Oversight Bodies) meetings and was actively working with EAIG (European Audit Inspection Group) and the College of Regulators. Within IFIAR, the AB3C participated in the Plenary Meeting and AB3C's secretaries took part in the IFIAR's Inspection workshop and in the work of the Enforcement Working Group. Oversight cooperation with the US PCAOB continued through the year.

FRANCE - Haut Conseil du Commissariat aux Comptes (H3C)

In 2014, the H3C's inspections schedule covered 159 PIE and 1,042 non-PIE audit firms. The inspection programme is based on a combined « audit firm risk » and « entity risk » approach. This approach results in an annual inspection, by H3C staff, of firms belonging to the major international auditing networks. The inspection findings and recommendations for remediation following those inspections are set out in the H3C 2014 annual report.

The H3C's mandate encompasses ruling on registration of statutory auditors, discipline and fee claims. In this respect, the H3C submitted in total 33 decisions in 2014.

The trend of increasing cooperation among audit regulators continued in 2014. The H3C prepared and co-signed a number of comment letters with its counterparts at the European Audit Inspection Group (EAIG) in response to consultations on proposed changes to international auditing and ethical standards. The H3C also participated in the EAIG meetings organized with representatives of the major international auditing networks with a view to improving audit quality. Furthermore, the H3C contributed to the European database of findings from inspections of audit firms and participated in the development of a Common Audit Inspection Methodology.

In the area of professional standards, the H3C identified two professional “best practices”: one relating to the reporting to the authorities on illegal acts and another regarding the definition of “networks”. The H3C also issued a number of opinions and views on professional ethics referrals.

Currently, the H3C is examining the impact of the new European auditing legislation on the scope of duties of statutory auditors in France, as well as on those of the regulators, for purposes of transposing the reform into national legislation.

GERMANY- Auditor Oversight Commission (APAK/AOC)

The year 2014 saw the AOC perform its tasks in its 10th year after being created in 2005.

The AOC has continued to perform inspections under its own direct operational and ultimate responsibility. In 2014, the AOC performed 28 inspections and in doing so, reviewed 71 audit engagements. In total, 82 auditors/audit firms which performed audits of consolidated annual accounts (IFRS) and of annual accounts according to the German Commercial Code (HGB) of 721 listed companies (PIEs) were included in the inspection regime in 2014. Compared to the previous year, the overall results of the inspections have improved slightly. Whether this is an ongoing trend or not, however, cannot be determined yet. This will require reassessing over the course of the following years.

A lot of resources were spent on cross-border cooperation with the relevant authorities of third countries and the work within the European Group of Auditors' Oversight bodies (EGAOB) and the European Audit Inspection Group (EAIG). One of the EAIG's core activities remains the regular dialogue with international standard setters such as the International Auditing and Accounting Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA). The non-public database of the EAIG, which was launched in 2013 and which contains inspection findings in relation to the ten largest European networks of audit firms (PwC, KPMG, Deloitte, EY, BDO, Grant Thornton, Nexia, Baker Tilly, Mazars and Moore Stephens), is being developed further to achieve a better comparability of inspection results within the EEA. The AOC continues to host and administer the database in Berlin.

The examination and analysis of the amendments to the EU Audit Directive and the related new Regulation published in April 2014, the latter imposing specific requirements for the oversight of auditors of public interest entities, demanded much of the AOC's attention. It also engaged in exchanges with other regulators as well as with national and international stakeholders to ensure that there was a common understanding of the new legislation and to assist those tasked with the implementation of the new legal framework into national law until June 2016. In particular, changes will be made to the structure of the current EGAOB, whose tasks as well as additional tasks will be taken over by the Committee of European Auditing

Oversight Bodies (CEAOB) which will then become the central place for cooperation of audit regulators within the EU. Furthermore, the AOC will receive more direct responsibility, especially with regard to investigations and enforcement procedures in relation to PIE auditors and audit firms.

Another initiative from the AOC that gained momentum in 2014 was to increase the dialogue with audit committees as one of the most important stakeholder groups with regard to the work of the AOC. To enhance awareness of the work of the AOC, in particular with a view to inspections, and to discuss ways how they can be beneficial to audit committees, the AOC and/or individual commissioners sought the dialogue with audit committee chairs through one-on-one meetings, or by speaking to larger audiences at related events.

The AOC has established good working relationships with several IFIAR members. It engages, in particular, in an ongoing exchange with the Public Company Accounting Oversight Board (PCAOB), USA by performing joint inspections and by sharing and discussing inspection results.

GIBRALTAR - Gibraltar Financial Services Commission (FSC)

The legal framework in Gibraltar sets out the mandate and responsibilities of the FSC. It also provides the FSC with the adequate powers and authority to perform oversight duties, including inspection, enforcement, compliance with applicable auditing, professional and independence standards.

The FSC's remit with regards to auditing has continued to comprise the following:

- the registration, approval and removal of statutory auditors and audit firms;
- the registration, approval and removal of statutory auditors and audit firms from other EEA states;
- the monitoring of the continuing professional education of statutory auditors;
- the upkeep of a public register of statutory auditors and audit firms;
- ensuring that all statutory auditors and audit firms are subject to a system of quality assurance controls; and
- public oversight of statutory auditors and audit firms.

During 2014, the FSC continued to enhance the oversight of auditors, especially in relation to the development of the quality assurance reviews as required under Section 29(1) of the Financial Services (Auditors) Act, 2009. Specifically, the second year of quality assurance reviews was carried out. During the year, four auditors (either audit firms or sole practitioners) were reviewed. All of the auditors accepted the findings from the visits and committed to a series of actions to address any issues raised. There were a couple of instances where specific conditions have been stipulated and therefore an assessment of the auditors progress will be required during 2015. One of the main areas identified for improvement during the reviews was the sufficiency and appropriateness of audit evidence and documentation.

The FSC continued to liaise with an Auditors Advisory Panel that consisted of representatives from the audit industry in Gibraltar and also with the Gibraltar Society of Accountants. This interaction enhances the relationship between the FSC and the audit industry in Gibraltar and allows for discussion on matters impacting audit quality. Areas that have been considered or implemented during the year were:

- Addressing concerns on low fees being offered by firms.
- Application of the new EU rules to improve the quality of statutory audits across the European Union.
- Impact of new legislation and update of the audit entry exam to reflect this.

The Financial Services Commission has continued to monitor the developments arising out of the current proposals to the European Statutory Audit Directive to ensure amendments are transposed to Gibraltar legislation as necessary, and will continue to do so during 2015.

HUNGARY - Auditors' Public Oversight Authority (APOA)

The APOA is completely independent from professional organizations and has proper competencies to complete its tasks. The APOA has, among others, two main responsibilities: to exercise legal control over the Chamber of Hungarian Auditors (Chamber) and to carry out quality control reviews of auditors of public interest entities.

During 2014, the APOA inspected 21 PIE and 12 non-PIE audit engagements regarding 18 individual registered statutory auditors and performed firm-wide control inspections at 9 audit firms, including one BIG 4 firm. The purpose of the inspections is to assess whether the auditors' performance is in compliance with the local and international standards on auditing or the relevant accounting standards. Auditors and audit firms were informed about the findings in their inspection reports. Weaknesses in general are summarized in publications and presentations to the auditors so they can improve the audit quality.

The APOA conducted two investigations where the interest of investors might have been violated.

During 2014 the APOA also reviewed the activities of the Chamber of Hungarian Registered Auditors in relation to continuous professional education system, disciplinary activities and quality control reviews of non-PIE auditors. The major findings and the APOA's recommendations were communicated to the management of the Chamber.

INDONESIA - Accountants and Appraisers Supervisory Center (AASC)

In Indonesia only Public Accountants (PAs) are licensed to offer auditing and other assurance services to the general public through Public Accountant Firms (PAFs). In other words, Public Accountants are Indonesia's statutory auditors. As of December 2014, the number of licensed PA and PAF in Indonesia are 1087 PAs and 398 PAFs.

Under Indonesia's regulatory framework, the AASC is the professional regulatory authority over auditors and accountants. Its primary authorities includes, among others, issuing PA and PAF licenses, setting regulations (e.g. license requirements, CPD requirements, audit rotation), conducting regular and investigative inspections, and administering sanction on PAs and PAFs who breach the law, ethical or technical standards.

In 2014, the AASC conducted regular inspections on 57 PAs from 50 PAFs as well as investigative inspections on 5 PAs. The inspections principally aim to ensure the compliance of PAs and PAFs with audit standards, code of ethics, and relevant regulations. AASC's

inspections cover three aspects of PA practices and PAFs operation: administrative, firms' quality control system, and assurance engagements. Inspection on administrative aspects is assessing the compliance of PAs and PAFs to public accountant law and its implementing regulations, including, among others, fulfilment of CPD hours requirement, compliance with PAFs annual activity reporting requirements, and staffing adequacy (the minimum number of professional auditors employed by PAFs).

Inspection on PAFs' quality control system aims at assessing the design and implementation of the PA's/PAF's quality control system in accordance with International Quality Control System - 1 (ISQC-1). The ISQC-1 was effectively adopted by Indonesiaas on the January 1, 2013. Despite the adoption, our inspections reveal that 38 of 50 PAFs inspected (76%) have not adapted and implemented quality control system in accordance with ISQC-1.

The objective of inspection on assurance engagements is to ensure the compliance of PAs and PAFs with audit standards in performing financial audit or any other assurance services. The International Standards on Auditing (ISA) have already been adapted and must be used in auditing annual financial statements for the period ending on December 31, 2013 (listed companies) and December 31, 2014 (non-listed companies). From our inspection results in 2014, 4 PAFs already adopted and implemented ISA in their audit engagements while the other 46 PAFs still used the previous auditing standards. The most common inspection findings in 2014 are insufficiency of audit evidence to support the audit opinion, the lacks of audit planning and substandard supervision from the PAs.

Last year, upon completion and issuance of inspection reports to PAs and PAFs, the AASC asked the PAs and PAFs to submit an action plan to AASC so that the PAs and PAFs can mitigate the risk of future occurrence of the deficiencies uncovered in the inspections. Furthermore, the AASC asked the PAs and PAFs to submit documents outlining how they will implement the action plan. As of December 2014, 23 of 50 PAFs have submitted their action plans and relevant documentations to the AASC.

In order to enhance its oversight function over PAs and PAFs, the AASC continuously maintain coordination with other regulators of PAs and PAFs such as the Indonesian Financial Services Authority (OJK) and Supreme Audit Agency (BPK). OJK is the financial services industry authority whose authorities include registering and overseeing PAs who offer services to listed companies, banks, as well as nonbank financial institutions. BPK, on the other hand, registers and oversees PAs and PAFs who offer services to state-owned companies.

Lastly, in 2014 the AASC increase its involvement in international relations of audit regulator. After becoming the 46th member of IFIAR in 2013, the AASC sent delegation to attend the 8th IFIAR Inspection Workshop in Kuala Lumpur in March 2014. On the regional front, the AASC is involved in the ASEAN Audit Regulators Group (AARG) with other ASEAN nations' audit regulators.

IRELAND - Irish Auditing and Accounting Supervisory Authority (IAASA)

IAASA's mandate includes the delivery of effective, independent oversight of the regulatory activities of the six Recognised Accountancy Bodies ('RABs') that are authorised to licence their members and member firms as auditors in Ireland. Under IAASA's supervision, the RABs monitor and enforce compliance by their members with standards (including those

relating to continuing education and professional ethics), perform quality assurance, and investigate and discipline their members. In this context, the principal supervisory activities undertaken by IAASA in 2014 included:

- conducting on-site supervisory visits to three RABs and the issuing of four final supervisory visit reports;
- ongoing liaison with the RABs to address the issues identified during the course of our supervisory visits through improvements to their regulatory systems and processes;
- monitoring the RABs' regulatory responses in relation to their members' involvement in cases which have a public impact and the processing of 19 complaints from members of the public;
- concluding one statutory enquiry and pursuing one ongoing statutory enquiry regarding a RAB's compliance with its approved investigation and disciplinary procedures;
- continued monitoring of the relevant RABs' compliance with conditions previously attached to their recognition to licence members as auditors, including the attachment of two new conditions;
- renewal of the full registration of 16 third-country audit firms and approval of the full registration of two additional third-country audit firms;
- approval of 33 constitutional documents (i.e. the RABs' by-laws, rules, regulations, codes, standards etc.) to ensure that the RABs' rules and regulations provide a suitable framework for the regulation and monitoring of their members;
- participation in the European Audit Inspection Group's responses to three consultations by the International Auditing and Assurance Standards Board and one consultation by the International Ethics Standards Board for Accountants; and
- consideration of the European Commission's Directive amending the existing Statutory Audit Directive and the new Regulation regarding the statutory audit of public interest entities.

ITALY - Commissione Nazionale per le Società e la Borsa (CONSOB)

During 2014 the CONSOB, amongst its other duties of supervision of the Italian securities markets, continued its oversight activity of auditors and audit firms that audit the financial statements of public interest entities (listed companies, banks, insurance companies, financial intermediaries and others). The CONSOB undertakes activities in the following areas: inspections of quality control reviews, investigations and enforcement, setting standards in collaboration with the auditing profession, the development of audit regulation at national level in collaboration with ministries in charge, and participation in discussions and developments on audit matters at the European and international level.

In 2014 the audit oversight activity focused on 25 audit firms who currently undertake the audits of PIEs. In the exercise of supervision the CONSOB has issued 50 requests for information, including hearings, requests of data and working papers.

As regards quality control reviews, the CONSOB issued 3 final reports to 3 audit firms containing inspection findings and recommendations that, according to law, the firms had to implement within a period set by CONSOB. The "follow-up" activity, in order to monitor the actual implementation of the recommendations by the audit firms, was performed as well. The CONSOB also started 5 new quality control reviews during 2014 and carried on other 3 inspections already started in 2013.

As regards the enforcement activity, 5 disciplinary proceedings against 2 audit firms were initiated, because of suspected irregularities in the performance of the audit activities on the financial statements of 3 listed companies and 2 insurance companies. In addition, 5 administrative sanctions were issued to 4 audit firms in relation to deficiencies found in the performance of the audit work on specific engagements.

As regards the standards setting activity, in December 2014 the Italian adaptation of ISA (ISA Italy) made in accordance with IFAC policies, was adopted following a decision of the Ministry of Economy and Finance, to be effective for audits of financial statements for periods beginning on or after January 1, 2015. Following the same process, (ISQC1 Italy) was adopted as well to be effective as of January 1, 2015. The CONSOB and the Italian auditing profession have worked together to finalize the adoption of the audit standards.

JAPAN - Certified Public Accountants & Auditing Oversight (CPAAOB)

The CPAAOB commemorated the 10th anniversary in 2014. During the year, the FSA and the CPAAOB continuously took various measures to achieve higher investor confidence and ensure the integrity of capital markets.

In 2014 the CPAAOB introduced thematic inspection for the large audit firms in order to conduct more risk-focused inspections. The thematic inspection focuses on the high-priority issues and high-risk areas common to them. The selected topics for the year included but were not limited to revenue recognition, professional skepticism and group audit. Through the thematic inspections, the CPAAOB sorted out the best practices of the leading firms and set them as the benchmarks to support effective and efficient inspections.

The CPAAOB has been conducting the analysis on the root causes inherent in the audit firms which resulted in the deficiencies found during the inspections. The inspections in 2014 had the specific focuses on business strategy, economic model and their transition over time, human resource management and incentive factors as well as the governance structure of audit firms, all of which were considered to be a part of major root causes from the outcomes of the recent inspections. Furthermore, for the better understanding of the latest business strategy and economic model of the audit firms, the CPAAOB recognized the importance of figuring out overall group structure and conducted a study on the potential impact of advisory and tax business on assurance business within one group.

The CPAAOB enhanced its information-gathering and risk assessment activities to further promote effective and efficient risk-based inspections corresponding to the sizes and risks of the audit firms. For example, it worked on the analytical system, including the development of the risk assessment tools, and further strengthened the cooperation with the relevant stakeholders such as the stock exchanges, audit committees, securities dealers, and Japanese Institute of Certified Public Accountants (JICPA) through sharing common views on the current audit issues.

Along with normal inspections, the CPAAOB put emphasis on off-site monitoring. It increased the number of reports collected from audit firms and made regular dialogues with major audit firms, global networks and foreign audit regulators. It also presented the importance of more frequent and productive communications between audit committees and external auditors during the inspections and in other outreach occasions with audit professions and audit committees.

Moreover, these oversight activities and the accumulated knowledge to this date were incorporated into the discussion of Japan's Corporate Governance Code which will be finalized in the first half of 2015.

In the international dimension, Japan participates in all of the IFIAR six Working Groups and contributes to their projects. As part of the joint project between GPPC Working Group and International Cooperation Working Group, Japan has taken the lead on a multi-jurisdictional inspection. It has reviewed the effectiveness of a group audit of a global public company together with other regulators, and has shared the experience and key takeaways with the GPPC Working Group. In addition, Japan has served as the Chair of the Enforcement Working Group since 2013 and led the survey concerning IFIAR members' enforcement regimes to develop an understanding of different regimes among the membership.

The FSA and the CPAAOB have worked with the foreign audit oversight regulators on the information sharing, equivalency assessment and mutual reliance in response to the global nature of audit business. The FSA and the CPAAOB exchanged letters on information sharing with UK Financial Reporting Council and also agreed on the mutual reliance with the Netherlands Authority for the Financial Markets.

The FSA and the CPAAOB work in an integrated manner. The inspection results are carefully analyzed by the CPAAOB and the common issues identified across the audit firms are brought up as next inspection themes, referred to the FSA to support its enforcement activities and policy making, and also shared with relevant stakeholders as well as foreign regulators. The FSA and the CPAAOB will continuously build upon their practices and knowledge from both domestic and international discussions and aim to actively develop common grounds to improve the audit quality at home and abroad.

KOREA - Financial Services Commission (FSC)/Financial Supervisory Service (FSS)

The Financial Services Commission and the Financial Supervisory Service continued their oversight of the audits of publicly-traded companies and accounting firms in 2014 in order to ensure reliable financial reporting and effective investor protection.

The FSC/FSS reviewed and investigated financial statements and the auditors' reports of publicly-traded companies and others that are subject to FSC/FSS audit supervision. As a result of the reviews and investigations, the FSC/FSS imposed sanctions ranging from civil money penalties to suspension of audit services on 49 companies, 46 accounting firms and 106 individuals for failure to comply with accounting and auditing standards or with the related laws and regulations. The FSC/FSS also ordered the non-complying companies to restate their financial statements and made available on its Internet websites information pertaining to significant violations and sanctions. As part of its risk-based supervision, the FSC/FSS introduced enforcement priorities for the review process. Four accounting topics were set as enforcement priorities in 2014: (1) revenue recognition for construction contracts; (2) accounting for retirement benefit plans; (3) impairment of intangible assets; and (4) accounting for financial instruments with characteristics of equity.

In addition, the FSC/FSS conducted a simplified review of financial information that publicly-traded companies provide in the periodic regulatory filings and ordered corrections on the errors identified.

On-site audit quality inspections, including 2 joint inspections with the U.S. PCAOB, were carried out on ten of the 36 major audit firms under FSC/FSS oversight. Accounting firms that were found to demonstrate audit deficiencies or improprieties were ordered to take remedial actions within a year.

For enhanced investor access to information, the FSC/FSS improved its Accounting Portal Website, which enables investors to easily access accounting and auditing information including accounting and auditing standards, rules and regulations, best practices, results of financial statements review, and transparency reports of accounting firms. The FSC/FSS also published analyses of wide-ranging accounting and auditing issues. The FSC/FSS audit supervisors also continued to engage the audit industry by holding seminars and working-level meetings with auditors and CFOs. Under an effective partnership with the audit industry, the FSC/FSS also continued to revise accounting and auditing standards in line with the IFRS and the clarified ISAs.

LITHUANIA - Authority of Audit and Accounting (AAA)

The main task of AAA, according to the Law of the Republic of Lithuania on Audit, is to carry out public oversight of audit, which includes:

- 1) Implementing quality assurance of the audit, responsibility to carry out investigations of the audit of financial statements, enforcing sanctions after the results of recurring inspection or investigations;
- 2) Overseeing the performance of the Lithuanian Chamber of Auditors, supervising continuing professional education of auditors.

Implementing quality assurance of the audit, the AAA approves an annual plan of recurring inspections. The AAA approved an annual plan of recurring inspections for 2014 which included 51 auditors and 31 audit firms. According to the annual plan of recurring inspections, the auditors-controllers performs inspections. During 2014, the AAT evaluated results and quality of inspections, evaluated and approved results of inspections in which more significant audit quality deficiencies had been identified, and enforced the sanctions in cases where deficiencies had been approved.

AAA performed 4 investigations of audits in 2014 year. The major part of these investigations was initiated after receiving complaints from Lithuanian's financial market supervisory authority regarding the role of auditors / audit firms in the recent disturbances in the local credit institutions market. During these investigations, audit quality deficiencies were identified and the sanctions were imposed.

Overseeing the performance of the Lithuanian Chamber of Auditors, the AAA constantly supervises process of granting, suspension and withdrawal of the auditors' licenses, organizing the auditors' exams etc. Furthermore, the AAA constantly monitors how the auditors fulfil the requirements of continuing professional education.

As a part of public audit oversight activity, the AAA also supervises translation of the International Standards on Audit in Lithuanian.

LUXEMBOURG - Commission de Surveillance du Secteur Financier (CSSF)

The CSSF supervises 66 audit firms, out of which 15 audit PIEs. The PIEs audit firms are supervised at least every three years with the exception of the Big Four which are supervised every year. During 2014, the inspection schedule covered 18 audit firms, 7 of which audit PIEs. In total, 139 mandates have been controlled including 39 PIEs.

The inspection unit is made of ten people, and all of the eight inspectors are chartered accountants

Thematic inspections were performed over the year on journal entries and ITGC. Areas of improvements were identified in connection with journal entries. Most notably, CSSF noted for several files inspected that the auditor failed to select and test the appropriateness of journal entries and other adjustments made at the end of a reporting period.

Safeguards continued to be imposed in order to increase the quality of the audits through the request of training plans, internal reviews of files by another partner before issuing an opinion and/or a double signature of audit reports.

The CSSF is looking to conclude cooperation agreements with Australia, Canada and the US and with other third countries as soon as they have been recognized "equivalent" by the European Commission. The CSSF has already concluded cooperation agreements with the Swiss and Japanese regulators.

MALAYSIA - Audit Oversight Board (AOB)

The AOB was established in 2010 and continues to play a critical role in overseeing auditors of public interest entities (PIEs) with the mission to foster high quality independent auditing to promote confidence in the quality and reliability of audited financial statements of PIEs in Malaysia. In addition, the AOB recognizes that high quality financial reporting by PIEs accompanied by a rigorous audit is a key differentiator in enhancing confidence in the market as well as attracting capital and potential investors to Malaysia.

With the robust audit framework and professional standards benchmarked internationally, the AOB has continued to work with audit firms to enhance the application of and compliance with these standards as part of its supervisory role. Audit firms are strongly encouraged to understand the underlying principles of the standards and to apply them consistently when conducting audits whilst exerting increased levels of professional skepticism and independence. A vital aspect of driving audit quality is strong leadership in audit firms which remains as a focus area for AOB.

The establishment and efforts of the AOB to date have contributed to Malaysia's strengthened regional standing in corporate governance in the Asian Corporate Governance Association (ACGA) Corporate Governance Watch 2014 Report. The AOB was further acknowledged as one of the better organized and transparent audit regulators in the region.

As at December 2014, a total of 52 domestic audit firms and 304 individual auditors are registered with the AOB. The AOB also recognized 10 individuals from 5 foreign audit firms who audit the financial statements of 6 foreign corporations listed on Bursa Malaysia, pursuant to powers under the Securities Commission Act 1993.

In 2014, the AOB conducted regular inspection of 10 audit firms, involving 29 individual auditors. The inspection comprised both firm and engagement level review. During 2014, the AOB sanctioned 2 registered auditors and 1 audit firm for their failures to comply with the relevant requirements of the auditing and ethical standards in the performance the audit of PIEs. The audit firm was also prohibited from accepting any PIE as client for a period of 12 months.

In the increasingly globalized market, the AOB has continued its active involvement with the ASEAN Audit Regulators Group (AARG) and the International Forum of Independent Audit Regulators (IFIAR). Attendance at meetings and workshops ensure that the AOB is aware of both regional and global developments, whilst engagement with AARG and IFIAR members develops consistency, effectiveness and efficiency in AOB's own inspection approach.

In March 2014, AOB hosted the 8th IFIAR Inspection Workshop with over 100 audit regulators from 35 jurisdictions sharing technical skills, knowledge, practical experiences, relevant inspection findings and the identification of better practices in inspecting audit firms.

During the year, the AOB continued dialogue to ensure that key messages in promoting audit quality are received by the full spectrum of audit firms serving Malaysia's PIEs. Some smaller audit firms were encouraged to share best practices which further evidenced their capability as compared to their larger peers in implementing self-governance systems and internal quality control. Collaboration with relevant professional bodies complemented the AOB's regular inspection activities by assisting in capacity building efforts and strengthening the audit industry's capabilities as well as promoting self and market discipline.

The AOB also introduced a structured approach in data gathering with the intention to provide trend analysis to facilitate deeper understanding about the profession, support capacity building and facilitate discussion about audit quality amongst the relevant stakeholders, envisaged to further enhance the AOB in its regulatory activities.

MAURITIUS - Financial Reporting Council (FRC)

During the year 2014, FRC has performed 24 audit practice reviews. 24 licensed auditors were selected for their engagement files assessment. 54 engagement files for these auditors were reviewed, which included 18 Public Interest Entities where 4 PIEs were listed on the official securities market for Mauritius. The FRC has also performed thematic reviews of 16 engagement files of PIES. The theme of the review was "assessing going concern" by the auditors. The FRC referred 5 auditors to the Enforcement Panel and warnings were issued to 5 auditors for not performing audits as per the requirements of auditing standards.

The FRC approved 6 new firm's names and 10 new auditors in 2014. In total, as at 31 December 2014 FRC had 98 audit firms and 159 licensed auditors registered with the Council.

For the year ended 2013, FRC has reviewed the annual reports of 190 PIEs, comprising of 54 listed entities.

In the year 2014, the FRC set up the Standard Review Panel, with the function of reviewing and adopting International Accounting and Auditing Standards issued by IASB and IAASB, respectively. The FRC has also organized a national workshop on quality in corporate

reporting where the focus is on essential ingredients to obtain quality in corporate reporting. Emphasis was laid on the role and responsibilities of the players in the reporting chain.

THE NETHERLANDS - The Netherlands Authority for the Financial Markets (AFM)

In September 2014, the Netherlands Authority for the Financial Markets (AFM) published the findings of its inspections on the four largest audit firms in the Netherlands ('the Big 4 firms'): Deloitte Accountants B.V. (Deloitte), Ernst & Young Accountants LLP (EY), KPMG Accountants N.V. (KPMG) and PricewaterhouseCoopers Accountants N.V. (PwC). This report is the follow-up of an earlier report published in 2010. Between April 2013 and the end of July 2014, the AFM carried out regular inspections at the Big 4 firms. These inspections were partially carried out in cooperation with the supervisory authority in the USA, the PCAOB. The purpose of regular inspections was to evaluate the quality of the statutory audits that the Big 4 firms had conducted, as well as to assess whether the measures the firms had in place provided an adequate safeguard of audit quality. The AFM also gained an understanding of the causes that the Big 4 firms thought were responsible for the deficiencies that were present, and of the measures that the firms intended to take on their own initiative.

The AFM evaluated whether the external auditor obtained sufficient and appropriate audit evidence to justify his opinion, thereby complying with the professional rules. During the inspection of each firm, the AFM concentrated on the material parts of the audits. If the external auditor did not obtain sufficient and appropriate audit evidence for any material part, he therefore did not obtain sufficient and appropriate audit evidence to justify his opinion regarding the financial statements as a whole. In that case, the AFM classified the conduct of the statutory audit as 'inadequate'. At each of the Big 4 firms ten statutory audits for the 2012 financial year were evaluated. The AFM classified a number of them as 'inadequate'. This number breaks down as follows: four carried out at Deloitte, three at EY, seven at KPMG, and four at PwC. For these statutory audits, the AFM considered that the external auditors did not obtain sufficient and appropriate audit evidence to justify their opinion on the financial statements in question as a whole. In total, the AFM classified the quality of 18 (45%) of the 40 statutory audits reviewed as 'inadequate'. Of the other 55%, the AFM did not conclude that they were 'inadequate'. Compared to the 2010 results, the AFM concluded that only a minimal increase of quality took place. The quality of statutory audits by the Big 4 firms has insufficiently improved and the number of statutory audits classified as 'inadequate' remains too high. Based on the results of its inspections, the AFM made two recommendations to the Big 4 firms regarding (i) the implementation of the measures they announced themselves, with particular attention to the areas of governance, culture, the embedding of statutory quality standards, and transparency, and (ii) increasing the depth of their root cause analyses. Furthermore, the AFM advised the Dutch legislator to make additions to the legislation in a number of areas. At the end of 2014, the AFM was in the process of considering possible enforcement action against the firms.

On the same date of the release of the AFM report, the Future Accountancy Profession Working Group of the Dutch professional body *Nederlandse Beroepsorganisatie van Accountants* (NBA) published its report "In the public interest" in which it recommends 53 measures to improve the quality of statutory audits and the independence of auditors. The AFM has been assigned to monitor the implementation of a number of these recommendations by the firms licensed to audit PIEs together with the NBA in 2015. For the Big 4 firms, the AFM will combine this with the monitoring of the implementation of the measures that the firms announced themselves after the AFM report. The report "Build to trust" from the Erasmus University

Rotterdam (EUR), also published on the same date, contains an evaluation of the Audit Firms Supervision Act and the operation of the AFM. The three reports received a considerable amount of coverage in the media, as well as in the public and the Parliamentary debate.

The AFM wants national and international legislation to stimulate the quality of audits: regulations should become more effective, be better enforceable and become more consistent. In 2014, therefore, the AFM actively contributed to joint comment letters and other reactions to consultations from various international supervisory authorities (e.g. EAIG, IOSCO, ESMA and IFIAR) providing input to international standard setters such as IAASB and IESBA. Within the EAIG the AFM chaired the Working Group that developed the Common Audit Inspection Methodology (CAIM), which will be implemented by all EU audit regulators in their inspection programmes. The AFM is also member of EAIG's Steering Group, chair of the KMPG sub-group of regulators and member of other inspection sub-groups. Furthermore, the AFM publicly reacted to consultations of the NBA. As a result, the NBA has adjusted these rules, among others with regard to the standards on communicating key audit matters in the independent auditor's report, in particular with regard to their clearness and enforceability.

In 2014 the AFM intensified its dialogue with audit committees. The AFM started an exploratory research to the way in which audit committees carry out their role and responsibilities in relation to the quality of financial reporting and statutory audits. The outcomes of the research are expected in 2015.

NEW ZEALAND – Financial Markets Authority (FMA)

The FMA's main objective is to promote and facilitate the development of fair, efficient, and transparent financial markets and its oversight of auditors is an important part of this. In 2014 it continued the review of registered audit firms that started in 2013.

In December 2014, the FMA issued its second audit quality review report covering the year to the end of June. During this year, 17 registered audit firms and 56 issuer audit files were reviewed.

Our findings were similar to those from the previous year. While we did not see material improvements on previously reported issues, most audit files had financial reporting dates that fell prior to the publication of our first audit quality review report, so audit firms were not able to reflect on the comments in that report and make changes to their processes. We hope to see improvements once audit firms have implemented any changes resulting from individual quality reviews.

We also noticed that the audit quality review regime has had a positive impact on the overall attention to audit quality at registered audit firms. Where there was appropriate support from senior leadership regarding audit quality, we noticed a higher quality of audit performance.

Our quality review programme will continue to focus on the risks that non-complying issuers pose to investors and will build on the results of previous quality reviews. Audit firms are required to report to us on how they have addressed the issues identified in the quality review. We will conduct follow-up reviews, or spot reviews, of firms where we noted significant issues in a previous review.

NORWAY - Financial Supervisory Authority of Norway (FSA)

During 2014, Finanstilsynet (the Financial Supervisory Authority of Norway) continued its oversight of auditors, including the licensing of individuals and firms, registration and supervision. FSA ensures that auditors maintain their independence, discharge their assignments in a satisfactory manner and comply with the law and good practices. The inspection program includes recurring inspections of PIE auditors (currently 16 audit firms), annual thematic inspections, ad-hoc inspections/investigations, off-site supervision through auditors reviews every other year, and supervision of the profession institute`s recurring quality assurance review of non-PIE auditors. Additionally, FSA holds bi-annual contact meetings with the Norwegian Institute of Public Accountants, as well as annual meetings with the management of the five largest audit firms. FSA also contributes by giving lectures for students, practitioners and others with an interest in auditing.

8 PIE auditors were inspected in 2014. Two of these inspections were performed jointly with the PCAOB. The Thematic inspection in 2014 focused on "Monitoring of the internal quality control system in audit firms". The conclusion of this thematic inspection is that the larger firms have implemented satisfactory monitoring systems, while the midsize and smaller, as a group, have to improve their compliance of ISQC 1 both relating to how the policies and procedures required by ISQC 1 are implemented and to monitoring that policies and procedures are adhered to throughout the organization.

All of FSA`s inspection reports are public. Thematic reports, off-site supervision reports, as well as individual audit firm inspection reports and ad hoc inspection/investigation reports are published on FSA`s website.

POLAND - Audit Oversight Commission (AOC/KNA)

The Audit Oversight Commission performs public oversight of statutory auditors (7103 individuals), audit firms (1627 entities) and the professional organization - the National Chamber of Statutory Auditors. Although some tasks related to the functioning of the system of oversight have been delegated to the professional organization, the ultimate responsibility for the system falls upon the KNA.

The professional organization is, among others, tasked with inspections of audit firms. The inspections are carried out in PIE audit firms at least every 3 years (Big 4 audit firms are inspected annually) and in non-PIE audit firms at least every 6 years.

The KNA within its duties to oversee the process of inspections of PIE audit firms: approves the annual inspection plan; approves inspection staff for each inspection; may delegate its observers to participate in inspections; may issue recommendations and instructions regarding the way inspections are carried out; approves each inspection report, with a prior right to access inspection documentation, request explanations and make amendments; and is provided with an annual report on the execution of the inspection plan.

In 2014, the second year in a second 3-year inspection cycle, 50 inspections of PIE audit firms out of 128 PIE audit firms in Poland were conducted. In 2014, as a result of the inspections of PIE audit firms, the KNA initiated motions to impose penalties against 16 audit firms which improperly designed and implemented internal quality control systems or whose internal

quality control systems proved to be ineffective in the area of engagement quality control reviews in relation to audits of PIEs.

As new EU legislation – the reform of the audit market has entered into force, the KNA discussed the main new provisions and presented its position to the Minister of Finance responsible for its implementation into national law.

Throughout 2014, the KNA actively took part in the process of the adoption of the International Standards on Auditing (ISAs) and the International Standard on Quality Control 1 (ISQC1) in Poland. The ISAs are planned to be mandatory for PIE audits in 2017, however it is expected that the earlier application of standards by audit firms will be possible on a voluntary basis.

PORTUGAL - Portuguese Auditing Oversight Board (CNSA)

During 2014, CNSA supervised the general inspection program and issued a findings report on the 30th June 2014. Also, it has followed the disciplinary procedures initiated by the Portuguese Institute of Statutory Auditors (OROC) and analyzed 69 infraction proceedings arising from the findings of the general inspection program which resulted in 5 fines, 58 warnings and 6 dismissals.

CNSA decided to undertake supervisory and investigation procedures to 1 Statutory Auditor and 3 Audit firms.

CNSA issued a preliminary opinion on the draft revision of the Portuguese auditing standard 841 (DRA 841) *Audit of the contributions in kind towards the attainment of capital by companies*. Furthermore, the CNSA sent a study regarding its functioning to the Ministry of State and Finance.

Regarding the international activities, CNSA actively participated in the work undertaken by the European Group of Auditors Oversight Bodies (EGAOB), the European Audit Inspection Group (EAIG), the Audit Regulatory Committee (AuRC) and the International Forum of Independent audit Regulators (IFIAR). It is important to mention that an EAIG meeting was held in Lisbon on April 1-2, 2014, that CNSA participates in the IFIAR Enforcement Working Group and the participation on the workshops held by the European Commission regarding the transposition of the Directive 2014/56/EU and Regulation 537/2014.

Throughout 2014, CNSA also received and answered to several cooperation requests. Concerning the cooperation with third countries, CNSA continued the work on the cooperation agreement with the US Public Company Accounting Oversight Board (PCAOB).

SINGAPORE - Accounting and Corporate Regulatory Authority (ACRA)

The financial statements audit market in Singapore is serviced by more than 600 public accounting firms. For inspection purposes, they are categorised into (i) firms that perform audits of public interest entities (PIEs) and (ii) firms that perform audits of non-PIEs, to reflect the calibration of regulation according to the different level of public interest risks of the audits conducted. In May 2014, ACRA introduced enhancements to its inspection programme. The selection and inspection methodology were refined to be more risk focused. During the year,

ACRA inspected 50 public accountants in the PIE segment and 95 public accountants in the non-PIE segment respectively.

ACRA also continued its outreach to public accountants via its key engagement platform, the Public Accountants Conference (PAC). The 2014 PAC discussed how company directors and auditors can tackle the root causes of financial reporting deficiencies to deliver reliable financial information to investors. A key highlight of the conference was the release of the results of an audit adjustment study (available at: https://www.acra.gov.sg/Public_Accountants_Conference_2014.aspx) which offered rare insights into the characteristics, nature and extent of proposed audit adjustments to the financial statements of listed companies in Singapore.

In conjunction with the conference, ACRA also published its annual Practice Monitoring Programme (audit inspections) Public Report (available at: https://www.acra.gov.sg/Publications/Reports/Practice_Monitoring_Programme_Public_Reports/), highlighting key observations in areas such as revenue recognition, accounting estimates and fair value measurement and group audits noted from its inspections.

In January 2015, ACRA also organised an inaugural Audit Committee Seminar, in collaboration with the stock exchange and the national association of directors. The seminar is a result of ACRA's multi-prong approach to raise audit quality including educating Audit Committees to play more effective roles in overseeing both financial reporting and audit quality. To that same end, ACRA became a member of IFIAR's Investor and Other Stakeholders Working Group in 2014. Our active membership on the Working Group will help ACRA further our multi-prong approach to raise audit quality by ensuring that investors are interested in and demand for quality audits.

ACRA, together with audit regulators from Malaysia and Thailand, formed the ASEAN Audit Regulators Group in 2011 which have been meeting the regional leadership of the Big-4 firms annually to discuss the root causes and action plans arising from common audit quality issues. The international representatives from the Regulatory Working Group of the GPPC firms joined the 2014 meeting and the enlarged group discussed anticipated challenges arising from the upcoming expanded auditors reporting standard as well as explored possible collaboration between the firms and the regulators that can drive up audit quality.

SLOVAK REPUBLIC- Slovak Auditing Oversight Authority (UDVA)

The UDVA (the Slovak Auditing Oversight Authority) in accordance with approved Plan of inspections for 2014 and in accordance with the Slovak Act on Auditors, Audit and Oversight of the Audit Performance („Act No. 540/2007 Coll.“) performed 14 inspections:

- 4 inspections of auditors,
- 9 inspections of audit firms,
- 1 inspection of the Chamber of Auditors.

From the 14 inspections initiated in 2014, there were 12 inspections also completed in 2014. Three inspections, from the inspections performed in 2014, were performed on the basis of complaint received.

However, while no proposals for the initiation of a sanction procedure were made by the Committee for Audit Quality Assurance during the 2014, there were two sanctions imposed in 2014 from the proposals of the previous year.

According to the Act No. 540/2007 Coll. the UDVA is responsible for organizing the auditor's examinations, examinations of professional competence and tests. From 60 applicants who attended the auditor's examinations in 2014, 24 applicants successfully passed the auditor's examinations and hold the certificate of competence to perform an audit („Certificate“) issued by the UDVA. There were also two applicants for examinations of professional competence from which one successfully passed the examinations of professional competence.

SLOVENIA – Agency for Public Oversight of Auditors (APOA)

The APOA continued with its key supervisory activities during 2014 in the area of public oversight of the quality of work of audit firms and certified auditors as well as professional body in respect to the public authorizations the professional body holds.

The APOA focused its audit oversight activities within a regular three and six year inspection cycle on 18 audit firms and 24 certified auditors. The APOA reviewed transparency reports published by 30 audit firms as well as annual reports submitted to the APOA by 57 audit firms. The APOA conducted a thematic review of the ISQC- policies and procedures of 2 audit firms and began a thematic review of bank audits. In 2014, the APOA imposed administrative sanctions on 8 certified auditors and 34 audit firms for infringements of auditing rules and the Auditing Act.

In the standards area APOA gave its consent to the several auditing rules relating to the national legislative particularities.

In 2014, the APOA re-assessed the regularity of licensing and registration of certified auditors and audit firms performed by the professional body.

The APOA has continued its cooperation with the Slovenian financial sector regulators (Securities Market Agency, Bank of Slovenia and Insurance Supervision Agency) and has begun cooperation with the Financial Administration of the Republic of Slovenia. During 2014, cooperation resulted in the exchange of supervisory information on several occasions that the APOA used for its supervisory activities in 2014 and planned activities for 2015.

At the international level the APOA has begun to prepare its processes for the implementation of the new audit legislation (amending Directive and the new Regulation on statutory audit), adopted by the European Commission, which will become applicable in mid-2016. The APOA also participated in the joint comment letters sent to the IAASB and IESBA by the EAIG.

SOUTH AFRICA – Independent Regulatory Board for Auditors (IRBA)

The Independent Regulatory Board for Auditors (IRBA) was established in terms of the **Auditing Profession Act, 2005 (Act no. 26 of 2005)** to regulate Registered Auditors through setting auditing and ethics standards, and monitor and enforce compliance through inspections and investigations.

The mission of the IRBA is to protect the financial interests of the South African public and international investors in South Africa through the effective regulation of audits conducted by registered auditors, in accordance with internationally recognised standards and processes.

The IRBA is currently in its 5th inspection cycle (1/4/2012 – 31/3/2015) and follows a risk-based inspection approach together with a remedial process (In line with IFIAR Core Principles).

The IRBA performs and reports separately on both firm wide as well as engagement level inspections and Small-Medium Practices fall within the scope of inspections. The global networks all have offices in South Africa.

There are approximately 1975 audit firms and 3231 assurance practitioners registered with the IRBA.

In 2014 the IRBA inspected and reported on 355 engagements and 37 Firm level (ISQC1) inspections between 1/1/2014 to 31/12/2014. Our scope of inspections include firms and auditors of Listed Public Interest Entities (PIEs), non-listed PIEs as well as other large entities that could individually or collectively have a negative systemic impact on the economy or a large group of stakeholders. We are also in the process of developing guidance on the definition of a PIE.

The IRBA Inspections Department implemented a process whereby firms and Registered Auditors (RAs) that failed their inspections are requested to submit, together with their written undertaking, a root cause analysis and action plan to address significant audit quality issues reported to them. The IRBA reviews these plans and, if inadequate, will engage further with the firm/RA. Firms that failed are visited on site after the inspection to discuss possible root causes and remedial plans that will improve audit quality. We referred 19 engagements and 2 firms to the IRBA Investigating Committee for investigation.

We supported the PCAOB on local inspections and coordinate our inspections at the relevant firms.

From 1/1/2014 the IRBA commenced to monitor auditors' compliance with the Companies Act of 2008, which prohibits certain non-audit and related services being provided by the auditors of the entity, in the same firm, and we continue to monitor international trends which will strengthen auditor independence.

The IRBA participates in standard-setting and regulatory structures and projects at an international level, including the boards and consultative advisory groups of the International Federation of Accountants as well as the working groups of IFIAR. The IRBA has contributed to the development of an issues paper on assurance on Integrated Reporting and continues to provide thought leadership on the subject matter. The IRBA also engages with bodies and structures whose membership extend to those charged with governance and continuously seeks opportunities to promote awareness of audit quality and auditor independence amongst these stakeholders.

We are in constructive dialogue with regulators and professional bodies on the African continent to promote independent audit regulation and protection of the public interest.

For the 5th year in a row, South Africa was ranked number 1 out of 144 countries in the World Economic Forum Global Competitiveness Survey for the strength of its auditing and reporting standards. (2010-2014).

The IRBA continuously strives to enhance audit quality and strengthen audit regulation and the Minister of Finance recently adopted the World Bank's recommendations in its Report on the Observance of Standards and Codes, which include:

- Strengthened independence of the IRBA Board and its Committees.
- Selection of engagements based on risk factors identified from inside and outside the profession.
- Improved and more robust inspection procedures that cover auditing, financial reporting and other compliance standards.
- Increased capacity for inspection staff.
- Focus on Small-Medium-Practices in terms of strengthening their quality.
- Strengthened enforcement

SPAIN - Accounting and Auditing Institute (ICAC)

In 2014, a report on the execution of the inspection plan for 2013 was published. During 2013, 97 inspection reports were issued, related to medium-sized audit firms that audit PIE. In most of these inspections, directly performed by ICAC, the purpose was to evaluate the design of the internal quality control system and the structure and information provided in the transparency reports. Another 117 inspections took place on audit firms that do not audit PIE, directed and supervised by ICAC. During 2013, investigations referred to audit engagements performance and verifications referred to partner rotation, were carried out.

The execution of the inspection plan for 2014, which was approved in that year, will be disclosed in the first semester of 2015. Its drivers were oriented to the inspection of large audit firms and the verification of the structure and information provided in the transparency reports of large and medium size audit firms. Investigations are also considered in that plan.

During 2014, the ICAC has undertaken disciplinary procedures due to infringements of auditing standards in relation to obtaining audit evidence, the duty of independence, internal rotation and lack of information remittal to the oversight body (ICAC).

In November 2014, ICAC hosted the 13th meeting of the European Audit Inspection Group (EAIG), where important decisions were made by its members on the inspection methodology.

Regarding regulation and standards, ICAC's efforts focused on the wording of the draft bill to transpose the amendments introduced by Directive 2014/56/EU in the Directive 2006/43/EC of the European Parliament, and to exercise the options contained in the Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014.

Various standards were published by ICAC regarding the following aspects: a technical standard on a on "*audits of single financial statements*", as result of the adoption of ISA 805 for application in Spain (March 20th, 2014), a technical standard on auditing on "*relationship between auditors*" (March 20th, 2014), and the regulation of programs for additional theoretical training for persons (July 22nd, and 21st October 2014).

SRI LANKA - Accounting and Auditing Standards Monitoring Board (SLAASMB)

The Sri Lanka Accounting and Auditing Standards Monitoring Board reviewed 100 audits carried out by 41 firms during the year 2014 compared to the 50 audits carried out by 39 firms

during the previous year. Audits reviewed included 44 audits carried out by 4 firms which are members of international networks and 56 audits carried out by 37 firms which carried out audits of less than 10 Specified Business Enterprises (SBEs). Based on the risk associated with the SBE which was audited, 8 audits were subject to a comprehensive review.

Deficiencies were identified in 68 audits conducted by 41 firms. The departures from Sri Lanka Auditing Standards detected were communicated to the respective firms in the form of letters of assistance.

The main findings were in areas of failure to obtain sufficient appropriate audit evidence, insufficient documentation, failure to identify material misstatements in financial statements due to inadequate use of assertions to form a basis for audit procedures, absence of evidence on the basis of selecting the samples, non-availability of evidence of understanding and assessment of control risk, failure to establish the audit materiality level and failure to ascertain information regarding related party transactions.

SWEDEN - The Swedish Supervisory Board of Public Accountants (RN)

The Supervisory Board of Public Accountants (*Revisorsnämnden* - RN) is a governmental authority under the Ministry of Justice. RN handles matters relating to authorized public accountants and authorized public accounting firms. Thus, RN arranges exams, issues authorization of auditors and of audit firms.

RN also supervises authorized public accountants and authorized public accounting firms, investigates and decides on disciplinary and other measures against auditors and audit firms, and ensures that professional ethics for accountants and generally accepted auditing standards are developed in an appropriate way.

RN's supervisory activities (approximately 85 % of the total activities)

The most essential task is the supervision of auditors and audit firms. This supervision is initiated and carried out in various ways. RN's mandate covers all auditors and registered audit firms and all categories of audit clients.

The tools available for RN's oversight are recurring quality control inspections as well as risk based inspections, disciplinary investigations, and the power to impose disciplinary sanctions. On the regulatory side of the supervisory function, RN can issue binding advance rulings in independence matters and issue formal regulations in areas delegated by the Government.

Quality control inspections

RN has the sole responsibility for the system for inspections of audit firms and auditors. When it comes to public interest companies (PIEs), RN carries out inspections on the largest seven audit firms, by which all PIEs are audited, every third year. To cover also a significant number of individual auditors in a three year cycle, the big four audit firms are subject to inspection activities almost continuously.

When it comes to inspections of auditors and audit firms that do not audit PIEs, RN relies on the inspections carried out by the professional organization FAR. The activities of FAR are monitored by RN. Under an agreement between RN and FAR, the organization has a duty to report to RN material breaches of auditing standards or professional ethics.

Examinations

In order to be authorized as a public accountant, the candidates have to pass an examination of professional competence. Beginning in 2013 there is only one category of auditors, authorized public accountants. Instead of having to pass two exams there is now only one. That is the main explanation for the decrease in the number of examinees.

International cooperation

RN participates in EAIG meetings at the European level as well as IFIAR plenary meetings and the IFIAR Inspection Workshop at the international level. On the EU level, RN participates in the activities of the EGAOB and its preparatory group. An informal meeting was held at the Nordic level. During 2014, RN continued its discussions on mutual oversight cooperation with the PCAOB and an agreement was signed.

SWITZERLAND - Federal Audit Oversight Authority (FAOA)

The FAOA has the duty to safeguard and foster audit quality within the scope of its licensing and oversight activities. The FAOA protects investors and other users of audit reports (creditors, employees, tax authorities etc.). As of 31 December 2014, 8,660 individuals and 3,134 audit firms hold a FAOA license. The FAOA currently oversees 23 state-regulated audit firms that are allowed to audit public companies.

Until the end of 2014 oversight of state-regulated auditors and auditors of financial institutions has been shared between the FAOA and the Swiss Financial Markets Supervisory Authority FINMA according to their respective duties. With parliament's adoption of the „bundling submission“ on 20 June 2014 the FAOA has the sole oversight authority over audit firms as per 1 January 2015. This applies both to the financial and regulatory audit. FAOA internal processes were prepared for the assumption of these new responsibilities in the financial markets area (regulatory audit). Organisationally, as from 1 January 2015, the oversight of state-regulated audit firms will be carried out by two separate operational areas which are the financial audit division and the regulatory audit division.

With respect to the oversight of audit firms permitted to audit public companies the focus was in 2014 on two Big Four inspections which were carried out jointly with the PCAOB. A further ten state-regulated audit firms were inspected aside from this. During 2014, the FAOA also started thematic reviews with regard to the Big Four audit firms in Switzerland. During these reviews the FAOA covered specific areas such as materiality, letterbox companies and shared service centres.

The FAOA has a great interest in the functioning of the audit committees of public companies. An active and responsible perception of the duties of the audit committee has a demonstrably positive impact on the quality of audit services. This corresponds with the experience of the FAOA from its inspection activities. The «Swiss Code of Best Practice for Corporate Governance», as revised in 2014, is an important step towards strengthening the audit committee. The extended recommendations on the composition and duties of the audit committee are particularly welcome. The FAOA will, however, continue its efforts to move from the recommendations developed within a self-regulatory framework to binding and enforceable requirements at the legislative level with regard to audit committees.

In 2014, the FAOA also entered into three new cooperative agreements with their counterparts from Canada, Finland and the UK. A Statement of Protocol (SoP) for cooperation in the oversight of audit firms was agreed with the PCAOB in 2011. The SoP was extended in 2014.

CHINESE TAIPEI - Financial Supervisory Commission (FSC)

During 2014, the FSC undertook inspections on three audit firms. Among them, one audit firm was inspected jointly by the FSC and PCAOB (USA). The FSC discovered some deficiencies on its 2014 inspections. Regarding selected audit engagements, some cases failed to provide sufficient evidence on internal control testing, adequacy of review and supervision, risk assessment, revenue recognition, and inventory. Regarding the firms' systems of quality control, the FSC found that some firms were lacking in efficient policies on human resources, engagement performance and leadership responsibilities for quality within the firm, or failed to effectively implement them.

Taiwan's Statements of Auditing Standards No. 56 "Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures" was issued in November 2014 and it was developed based on ISA 540. In August 2014, an interpretation on Auditing Standard Issue in connection with independence was published to provide practical guidance. According to the revised standard, the maximum rotation period for audit engagement partner remains at seven years with a cooling off period of two years. However, flexibility of up to an additional two years is permitted if the partner has been auditing the client for six years prior to the client becoming a new listed company.

On August 13 2014, the FSC amended the "*Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants*". This amendment aimed to coordinate with provisions that allow CPAs or auditors to issue review opinions on the reasonableness of appraisal for investment properties as well as Taiwan's amendment of regulations in relation to its upgrade in 2015 from the current IFRS 2010 version to IFRS 2013 version. It also aimed to improve the quality of financial statements of primary listed companies and foreign emerging-stock companies.

During the period of 2014, the FSC continued to communicate with auditors and audit firms. The main issues focused on facilitating the development of small and mid-sized audit firms, internationalization of auditor services, and establishing a reasonable audit fee standard, etc.

As of December 31, 2014, the total number of registered audit firms was 1,892, of which the number of audit firms subject to inspection was 82.

THAILAND - Securities and Exchange Commission (SEC)

In an effort to improve audit quality, in 2014, the SEC continued to supervise the audits of public companies and the quality assurance system of audit firms. The purpose of this supervision is to increase investors' confidence in financial reports and disclosures of listed companies.

Overall, the SEC conducted the inspections on 12 audit firms from the total of 25 audit firms. The SEC also inspected 138 audit engagement files of 46 auditors, 15 of which were the auditors who newly applied for approval from the SEC in 2014, and 31 of which were renewed

SEC-registered auditors. However, there were two renewed SEC-registered auditors whom the SEC disapproved.

In order to elevate the audit profession and the Thai capital market to the standards set by international organizations, several seminars were organized by the SEC. For instance, the SEC held two seminars for audit firms and other relevant stakeholders on the topics related to audit quality, namely, “Audit Quality: Audit Sampling and Substantive Analytical Procedure”, and “Audit Quality Inspection and Expectation for Future improvement”. Furthermore, collaborating with the Federation of Accounting Professions (“FAP”), the SEC set up the training on the topic of, “Developing Auditors in Thai Capital Market” for auditors who wish to be the SEC-registered auditors.

In the international area, with respect to the global recognition, the SEC was selected by the International Organization of Securities Commissions (IOSCO) to be an IOSCO representative as a Member of IFRS Advisory Council for a 3-year period from January 2015 to December 2017. In addition to this, the SEC has participated in various international meetings such as ASEAN Audit Regulators meetings, International Forum of Independent Audit Regulators (IFIAR) meetings, and IOSCO’s Committee¹ meetings. These participations entail better collaboration among regulators and an increase of international recognition.

TURKEY - Capital Markets Board of Turkey (CMB) and Public Oversight, Accounting and Auditing Standards Authority (POA)

Turkey has two regulators that are an IFIAR Member: the Capital Markets Board of Turkey (CMB) and the Public Oversight, Accounting and Auditing Standards Authority (POA). The POA became an IFIAR Member in 2014. The CMB and POA share one vote within IFIAR.

Capital Markets Board of Turkey (CMB)

UVAP System

The project called the Remote Data Transfer System (UVAP), which was created to improve the efficiency of oversight on auditing activities was completed in 2010. Further improvements have been made on the system in 2013. Audit firms submit to the UVAP system a variety of information that enables CMB to monitor firms on a timely basis. Information submitted by the audit firms includes audit engagements signed with their clients, services provided to clients by the audit firms other than audit & assurance services, information regarding individuals (auditors at all levels) at the firm, auditor promotions, audit firm financial information etc. UVAP system also enables CMB to generate reports electronically.

Routine Full Inspections and Thematic Inspections

In 2014, the CMB continued to oversee the audits of public companies as well as other companies under the scope of capital markets law in order to protect investors and the public interest by promoting informative, accurate, and independent audit reports. Overall, the CMB conducted 13 inspections (11 full inspections and 2 thematic inspections) of audit firms, including 3 “Big Four” audit firms. During these inspections CMB reviewed 45 audit files.

As of December 31, 2014, a total of 92 firms were registered with the CMB. However, in 2013 and 2014, 70 of them were actively involved in independent audits in public companies (22 firms had no engagements). Thus CMB conducted inspections on 30% of the audit firms which have at least one or more engagements under the scope of the capital markets law.

Of 11 firms inspected, CMB concluded there were some shortcomings in statutory audits conducted by all 11 firms. In the majority of audits, the auditor's opinion on the financial statements was not supported by sufficient and appropriate audit evidence mainly in inventory, revenue, PP&E, cash, receivables. Other main deficiencies include lack of documentation, audit planning and risk assessment procedures, internal control testing, revenue recognition, accounting estimates, fair value measurements, use of experts, engagement quality control reviews and external confirmation procedures.

CMB also performed 2 thematic inspections on EQCR and business combinations.

CMB Inspection Findings Report

"CMB quality control inspection findings annual report" will be published in the beginning of 2015. The annual report will provide the results of the inspection findings, as well as recommendations for expected improvements by the audit firms.

Public Oversight, Accounting and Auditing Standards Authority (POA)

Setting Accounting and Auditing Standards

POA strategically has an objective of setting accounting standards in full compliance with the International Financial Reporting Standards (IFRSs). All of the Standards established by IASB have been promulgated in the Official Gazette under the title of Turkish Accounting/Financial Reporting Standards (TAS/TFRS) and TAS/TFRS Interpretations. Those standards are continuously updated in accordance with the amendments made by the IASB with the effective dates as originally pronounced by IASB.

POA has also promulgated Turkish Auditing Standards in the Official Gazette including Standards on Auditing, Standards on Review Engagements, Standards on Assurance Engagements and Standards on Related Services. Additionally, the Code of Ethics and Standards on Review Engagements are in the process of being published in the Official Gazette. All of these standards are in full compliance with the standards published by IFAC.

Approval and Registration of Auditors and Audit Firms

POA has continued to approve auditors and audit firms and to administer auditor registration in Turkey. In 2014, over 5,000 members of the profession (CPAs and Sworn-in CPAs) were licensed and 111 audit firms were approved. As of 31 December 2014, there have been over 10,000 licensed auditors and 146 approved audit firms in Turkey. A total of 110 of those firms have been approved to conduct the audits of public interest entities (PIEs). Registration information about auditors and audit firms is stored in electronic form and is electronically accessible to the public.

Oversight, Inspections and Related Activities

Inspections are carried out at least in every 3 years for audit firms which audit PIEs and in every 6 years for the others. In 2014, POA's inspection schedule covered 63 PIE audit firms. Quality Control Inspections of PIE audit firms under the current 3 year inspection plan, covering the 2012-2014 period, were completed. While the main focus was on the efficiency of the audit firm's quality control systems during the first three year inspection cycle, the focus will be transferred to the file reviews during the second three year inspection cycle.

During 2014, POA has replied to the questions addressed by audit firms and auditors related to independent audit. On the other hand, POA has carried out simultaneous oversight activities by examining information submitted to POA in order to make them perform the

audits effectively and efficiently and also with integrity and objectivity for complying with the laws and regulations and also professional values, ethics, and attitudes. Moreover, in furtherance of simultaneous audit, "Oversight-Audit Project" called "GÖZ-DE" is in the process of development by POA. In addition, POA holds conferences and seminars about financial reporting and auditing throughout the country for raising awareness all the year round.

Additionally, in 2014, POA became a nominee to host to a Permanent Secretariat of IFIAR in order to take more responsibility in IFIAR activities and to share practices regarding the audit market and its experiences in the field of oversight, inspection and investigation. POA has organized meeting activities with the Members of IFIAR, especially with PCAOB, for improving mutual relations and collaboration and sharing experiences.

UNITED KINGDOM - Financial Reporting Council (FRC)

In 2014 the FRC issued individual public reports on the four largest audit firms and one other large audit firm together with its annual report covering its findings from more than 100 audit engagements. In addition we published the outcome of a major thematic review of the quality of auditing of loan loss provisions and related IT controls within banks and similar credit institutions. Thematic inspections of the auditors' consideration of Materiality and Laws and Regulations were completed and the findings have now been published. In addition to its public reporting, the FRC now writes directly to the Audit Committee Chair of entities whose audit it has reviewed, setting out its findings from each relevant individual audit engagement reviewed and its overall assessment of the quality of the audit. Audit Committees are encouraged to report publicly on how they have considered the effectiveness of their audit arrangements including where appropriate their consideration of inspection findings. The FRC continued its programme of inspections of Third Country Auditors.

On the policy side, the FRC has been reviewing the implementation of recently introduced requirements for extended auditor and audit committee reporting and the requirement, on a comply or explain basis, for FTSE 350 public companies to tender their audit at least every ten years. The FRC has also initiated reviews of the Audit Firm Governance Code and the ethical requirements for auditors and is developing guidance to assist audit committees in assessing the effectiveness of their audit arrangements.

A number of audit related disciplinary investigations have been completed and the first sanctions under the recently introduced Audit Regulatory Sanctions Procedure have been agreed.

UNITED STATES - Public Company Accounting Oversight Board (PCAOB)

The PCAOB oversees the audits of public companies in order to protect investors and the public interest by promoting informative, accurate, and independent audit reports. The PCAOB oversees the audit of public companies and securities brokers and dealers, and related matters, in order to protect investors and further the public interest in the preparation of informative, accurate, and independent audit reports. As of December 31, 2014, 2,201 audit firms were registered with the PCAOB, including 1,300 firms in the United States and 901 non-U.S. firms located in 89 jurisdictions.

The PCAOB regularly inspects registered accounting firms that perform audits of public companies and other issuers. In 2014, the PCAOB inspected 219 firms, including 162 firms in the United States and 57 non-U.S. firms. Since it began inspecting audit firms in non-U.S. jurisdictions in 2005, the PCAOB has conducted inspections in 44 non-U.S. jurisdictions, including joint inspections with audit regulators in 15 non-U.S. jurisdictions. The PCAOB also conducts inspections of firms that audit brokers and dealers registered with the U.S. Securities and Exchange Commission. In 2014, the PCAOB inspected 66 such firms.

The PCAOB issued twenty-four settled disciplinary orders and one adjudicated disciplinary order in 2014. Twenty-one firms and eight individuals were involved in these orders, and a total of \$85,500 in penalties was imposed.

In the standards area, the PCAOB adopted a new auditing standard (Auditing Standard No. 18, *Related Parties*) and amendments to other auditing standards. This new auditing standard and amendments to other auditing standards strengthen auditor performance requirements in three critical areas of the audit: related party transactions, significant unusual transactions, and a company's financial relationships and transactions with its executive officers.

The PCAOB issued a supplemental request for comment regarding a proposed framework for reorganization of PCAOB auditing standards. The PCAOB also issued for comment a staff consultation paper regarding auditing accounting estimates and fair value measurements. In April 2014, the PCAOB held a public meeting to discuss its proposed standard on the auditor's report and the auditor's responsibilities regarding other information.

In addition, the PCAOB issued two staff audit practice alerts, one regarding matters related to auditing revenue in an audit of financial statements and the other regarding matters related to the auditor's consideration of a company's ability to continue as a going concern. Further, the PCAOB issued staff guidance to help auditors of brokers and dealers registered with the Securities and Exchange Commission to plan and perform audits in accordance with PCAOB standards.

Finally, on the international front, the PCAOB concluded two new bilateral cooperative arrangements with non-U.S. audit regulators in 2014.

IFIAR Financial Statements

IFIAR's organizational and administrative support is jointly funded by its Members. Frank Schneider (Chief Executive Officer, Swiss Federal Audit Oversight Authority (FAOA)) serves as IFIAR Treasurer overseeing the process of collection and disbursement of the funds.

In addition to the joint funding of IFIAR's administrative expenses, IFIAR relies upon Members' voluntary contributions including the organization and hosting of Plenary Meetings and Workshops, chairing Working Groups and hosting Working Group meetings and conference calls, maintaining Member Profiles and the IFIAR website, and reviewing new membership applications. The following IFIAR Financial Statements were approved by the Officers and membership at the IFIAR Plenary Meeting in Taipei on April 23-25, 2015.

INDEPENDENT AUDITORS' REPORT

to the General Meeting of the IFIAR Verein, Berne

Report on the Financial Statements

We have audited the accompanying financial statements of IFIAR Verein which comprise the statement of financial position as at December 31, 2014 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Executive Committee's responsibility for the Financial Statements

The Executive Committee is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) and for such internal controls as the Executive Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness on the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Executive Committee, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the IFIAR Verein as at December 31, 2014, and its financial performance and its cash flows for the period that ended in accordance with International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs).

Report on Regulatory Requirements

Furthermore, we verified whether the disbursements were consistent with the IFIAR budget and the criteria for disbursement. We noted no exceptions.

Berne, April 1st 2015

SWISS FEDERAL AUDIT OFFICE



Walter Risler
Licensed audit expert



Carole Balli
Licensed audit expert

Enclosure: IFIAR Verein Financial Statements 2014

Statement of Comprehensive Income for the year ended 31 December

	Note	2014	2013
		€	€
Staff costs		345,447	302,089
Travel expenses		51,429	57,069
Meeting expenses		930	4,549
Audit expenses		2,601	1,577
Website development and other expenses		4,593	2,331
Operational expenditure	3	405,000	367,615
Interest income		0	0
Net operating expenditure		405,000	367,615
Revenue	4	445,725	409,500
Surplus		40,725	41,885

Statement of Financial Position at 31 December

	Note	2014	2013
		€	€
Assets			
Current assets:			
Trade and other receivables	5	24,795	33,770
Cash and other equivalents		291,230	270,449
Total assets		316,025	304,219
Liabilities			
Current liabilities:			
Accruals	6	169,369	197,136
Deferred income	7	0	1,152
Total liabilities		169,369	198,288
Net assets		146,656	105,931
Equity			
Retained surplus		146,656	105,931

Statement of Changes in Equity for the year/period ended 31 December

	Note	2014	2013
		€	€
As at 1 January		105,931	64,046
Surplus for the year		40,725	41,885
As at 31 December		146,656	105,931

Cash Flow Statement for the year/period ended 31 December

	Note	2014	2013
		€	€
Surplus on ordinary activities		40,725	41,855
(Increase) / Decrease in receivables		8,975	(22,507)
Decrease in payables		(28,919)	(3,171)
Cash flows from operating activities		20,781	16,207
Interest received		0	0
Net increase in cash		20,781	16,207
Cash at beginning of period		270,449	254,242
Cash at the end of period		291,230	270,449

Notes to the financial statements

1 General information

The IFIAR Verein is a Swiss Verein which is established solely for the collection of membership fees and distribution of these amounts in recompense of the provision of administrative and organisational support of IFIAR, currently provided by staff from the organisations of the IFIAR Chair and Vice-Chair. It is a Swiss Verein pursuant to article 60 of the Swiss Civil Code. It is domiciled at the Offices of the FAOA, Switzerland. Its correspondence address is at the PCAOB.

These financial statements were authorised for issue by the IFIAR Verein Executive Committee on 1 April 2015.

2 Summary of significant accounting policies

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

2.1 Basis of presentation

The financial statements of the IFIAR Verein have been prepared in accordance with the 'International Financial Reporting Standards for Small and Medium-sized Entities' (IFRS for SMEs) issued by the International Accounting Standards Board. They have been prepared under the historical cost convention.

2.2 Cash

The measurement basis for cash amounts is the balance at the IFIAR Verein bank account.

2.3 Receivables

Receivables are recognised at the transaction price, with a provision if deemed necessary.

2.5 Revenue recognition

Revenue comprises the Membership fees of the Members of the IFIAR Verein. Revenues are recognized on an accruals basis.

2.6 Foreign currencies

The functional and presentation currency for the IFIAR Verein is the Euro. Exchange rates to foreign currencies are set at the date of the transaction. Foreign currency monetary items are translated using the closing rate at balance sheet date. All exchange rates differences are recognized in the statement of comprehensive income.

2.7 Assumptions/key sources of uncertainty

There were no significant assumptions made or key sources of uncertainty in the preparation of these financial statements.

3 Operational expenditure

The operational expenditure is analysed by organisation and against budget below; it is analysed by category against the previous year on the face of the Statement of Comprehensive Income.

	PCAOB	AFM	Other	2014	Budget	Difference
	€	€	€	€	€	€
Staff costs	211,158	134,289	0	345,447	325,000	20,447
Travel expenses	20,652	30,777	0	51,429	60,000	-8,571
Meeting expenses	930	0	0	930	6,000	-5,070
Audit expenses	0	0	2,601	2,601	6,000	-3,399
Website development and other expenses	0	0	4,593	4,593	8,000	-3,407
Operational expenditure	232,740	165,066	7,194	405,000	405,000	0

Staff costs are some 6.3 per cent over budget reflecting the large amount of secretariat support provided in 2014. Travel expenses were below budget, as IFIAR's Plenary and the Interim meeting were held in North America, thus significantly limiting the travel expenses reimbursed to the PCAOB. Other expense items were largely in accordance with budget and expectations in a similar fashion; the cost of the audit was €2,601 and the accrual was maintained at the same level as last year (€ 3,000). It should be noted that the costs of the indemnity insurance, which are included under the Website developments and Other expenses, only cover the indemnity insurance costs for 1 May - 31 December. The costs for the period 1 January - 30 April (€ 583) have been included in the 2013 financial statements.

The AFM and PCAOB have limited their reimbursement for the second half year in order not to exceed the total budget approved by the Membership.

4 Revenue

Revenue for the year comprised:

	2014	2013
	€	€
48 Members paid € 9,000 (in 2013: 44 Members paid € 9,000)	432,000	396,000
2 Members joined during the year and paid fees reflecting their length of Membership (2013: 2 Members)	13,725	13,500
Total revenue	445,725	409,500

5 Receivables

€ 24,795 of receivables (2013: €33,770) were outstanding at 31 December 2014. Receivables comprised membership fees from IFIAR Members. All late fees will be discussed with the Membership at the IFIAR Plenary, to the extent that they have not been paid before the Plenary.

6 Accruals

The accruals at the end of the period comprised operational expenses incurred but not invoiced at the year-end by PCAOB and AFM as follows:

	PCAOB	AFM	Other	2014	2013
	€	€	€	€	€
Staff costs	103,048	47,914		150,962	159,510
Travel expenses	3,609	10,294		13,903	34,418
Meeting expenses	328			328	208
Audit expenses			3,000	3,000	3,000
Website development and other expenses			1,176	1,176	
Operational expenses	106,985	58,208	4,176	169,369	197,136

The amounts due to the AFM and the PCAOB were invoiced to the IFIAR Verein in March 2015. The audit will be invoiced after its finalization. The amount for the Website development and other expenses is the insurance premium for the period 1 May – 31 December which needs to be reimbursed to the FAOA.

7 Deferred income

In 2014 there was no deferred income. Other liabilities for 2013 were a payment totalling €1,152 of membership fees unintentionally paid over and above to the fee due. These payments have been treated as deferred income and reduced the membership fee receivable for 2014 from the Members concerned.

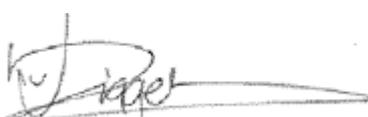
8 Related-party transactions

The majority of the activities of the IFIAR Verein is conducted with related parties, being the Members of IFIAR (who are also the members of the Verein). All revenues are obtained from Members, whilst the majority of operating expenses are paid to the organisations of the Chair and Vice-Chair of IFIAR. In 2014, the only third parties with which the Verein interacted were the auditors, an external web services provider, the providers of indemnity insurance for the Executive Committee and the Verein's bank, Credit Suisse.

Approved on 1 April 2015 by



Lewis Ferguson
IFIAR Chair



Janine van Diggelen
IFIAR Vice Chair

Annex – IFIAR Membership

IFIAR membership shall be open to regulators that are both:

- a) Independent of the audit profession. The audit profession includes, for example: audit firms, professional bodies and bodies or entities associated with the audit profession. Indicators of independence from the profession include:
 - A majority of the relevant governing body are non-practitioners (with an appropriate cooling off period for former auditors); and
 - Funding of the regulator is free of undue influence by the audit profession; and
- b) Engaged in audit regulatory functions in the public interest, and, in particular:
 - Ultimately responsible for the system of recurring inspection of audit firms undertaking audits of public interest entities; and Exercising that responsibility either directly or through independent oversight.

As of December 31, 2014, IFIAR membership included independent audit oversight authorities from the following 51 jurisdictions:

ABU DHABI

Abu Dhabi Accountability Authority (ADAA)
Level 9, Falcon Tower
Abu Dhabi, United Arab Emirates
PO Box 435
Tel: +971 2 6107 508
Fax: +971 2 6344 071
Website: www.adaa.abudhabi.ae

ALBANIA

Public Oversight Board of Albania
Rr. Elbasanit, Pallati Edil Al IT, Zyra nr.321,
Tirana Albania
Tel: 355 4 346 077

AUSTRALIA

Australian Securities & Investments Commission (ASIC)
Level 5, 100 Market Street, Sydney, New South Wales, 2000, Australia (street address)
GPO Box 9827, Sydney, New South Wales, 2001, Australia (postal address)
Tel: 02 9911 2000
Direct: 02 9911 2079
Fax: 02 9911 2403
Website: www.asic.gov.au

AUSTRIA

Austrian Auditors Supervisory Authority (ASA)
c/o Federal Ministry of Economy, Family and Youth

Section I/1a
A-1011 Vienna, Stubenring 1
Tel: 0043 (01) 71100 - 5800
Fax: 0043 (01) 71100 - 15800
Email: qkb@bmwfj.gv.at
Website: www.bmwfj.gv.at/qkb

BELGIUM

Chambre de renvoi et de mise en état/Kamer van verwijzing en instaatstelling (CRME/KVI)
Bd. E. Jacqmain 135
1000 Brussels
Belgium
Tel: + 32 2 511 53 97
Fax: +32 2 203 45 70
Email: secretariaat@kvi-crme.be
Website: www.kvi-crme.be/

BOTSWANA

Botswana Accountancy Oversight Authority (BAOA)
Plot 145, Block B, 5th Floor, Lake View Office Park
Gaborone, Botswana
Private Bag 0056 Gaborone
Tel: +267 391 9735 | Fax: +267 391 9737
Website: www.baoa.org.bw

BRAZIL

Comissão de Valores Mobiliários (CVM)
Rua Sete de Setembro, 111
13°, 26° ao 34° Andares - Centro
CEP - 20050-901
Rio de Janeiro - RJ
Brasil
Tel: 00 55 21 3233 0200
Fax: 00 55 21 2221 6769
Website: www.cvm.gov.br

BULGARIA

Commission for Public Oversight of Statutory Auditors (CPOSA)
7th Floor, 22 Serdica Street
Sofia 1000
Bulgaria
Tel: +3592 9835539
Fax: +3592 9831385
Email: office@cposa.bg
Website: www.cposa.bg/en/

CANADA

Canadian Public Accountability Board (CPAB)
150 York Street
Suite 200
Toronto, Ontario M5H 3S5

Canada
Tel: 00 1 416 913 8261
Fax: 00 1 416 850 9235
Website: www.cpab-ccrc.ca

CAYMAN ISLANDS

The Auditors Oversight Authority
Government Administration Building
P.O. Box 133
133 Elgin Avenue
Grand Cayman KY1-9000
Cayman Islands
+1 (345) 244-8651
+1 (345) 244-4566
Email: donald.cockburn@aoa.ky
Website: <http://aoa.ky/>

CROATIA

Croatian Audit Public Oversight Committee (APOC)
Katanciceva 5
10 000 Zagreb
Croatia
Tel: +385 1 45 91 171
Fax: +385 1 45 91 101
Email: info@javni-nadzor-revizije.hr
Website: www.javni-nadzor-revizije.hr/

CZECH REPUBLIC

Public Audit Oversight Board
Nábřeží Ludvíka Svobody 1222/12
110 15 Praha 1
Email: podatelna@rvda.cz
Website: www.rvda.cz

DENMARK

Danish Business Authority (DBA)
Dahlerups Pakhus
Langelinie Alle 17
2100 Copenhagen
Denmark
Tel: +45 3529 1000
Fax: +45 3546 6001
Email: erst@erst.dk
Website: www.erst.dk

DUBAI INTERNATIONAL FINANCIAL CENTRE

Dubai Financial Services Authority (DFSA)
Level 13, The Gate
P. O. Box 75850
Dubai, UAE

Tel: +971 (0) 4 362 1508
Fax: +971 (0)4 362 0801
Website: www.dfsa.ae

EGYPT

Auditors Oversight Board (AOB)
Egyptian Financial Supervisory Authority
2nd Floor, 20 Emaad El Din Street
Down Town
Cairo
Egypt 11111
Tel: +202-257-97368 extension 106
Fax: +202-257-73693
Website: www.efsa.gov.eg

FINLAND

The Auditing Board of the Central Chamber of Commerce of Finland (AB3C)
P.O. Box 1000
Aleksanterinkatu 17
00101 Helsinki
Finland
Tel: +358 9 4242 6200
Fax: +358 9 4242 6251
Website: www.ab3c.fi

FRANCE

Haut Conseil du Commissariat aux Comptes (H3C)
10 rue Auber
75009 Paris
France
Tel: 00 33 1 4451 0936
Fax: 00 33 1 4451 0935
Website: www.h3c.org

GERMANY

Abschlussprueferaufsichtskommission (APAK)
Rauchstrasse 26
D-10787 Berlin
Germany
Tel: +49 30 5900 363 700
Fax: +49 30 5900 363 710
Website: www.apak-aoc.de

GIBRALTAR

Financial Services Commission
PO Box 940
Suite 3, Ground Floor
Atlantic Suites
Europort Avenue
Gibraltar
Tel: +350 200 40283

Fax: +350 200 40282
Email: auditors@fsc.gi
Website: www.fsc.gi

GREECE

Accounting and Auditing Standards Oversight Board
7, Voullis Street, 5th Floor
105 62, Athens
Greece
Tel: +30 210 324 2648
Fax: +30 210 323 4141
Email: info@elte.org.gr
Website: www.elte.org.gr

HUNGARY

Auditors' Public Oversight Authority (Ministry for National Economy)
József nádor tér 2-4
1051 Budapest
Hungary
Tel: +36 1 795 3543
Fax: +36 1 795 0294
Email: kozfelugyelet@ngm.gov.hu
Website: <http://www.kormany.hu/hu/nemzetgazdasagi-miniszterium/ado-es-penzugyekert-felelos-allamtitkarsag/hirek/konyvvizsgaloi-kozfelugyeleti-hatosag>

INDONESIA

The Accountant and Appraiser Supervisory Center (PPAJP)
Ministry of Finance in Indonesia
Jl. Dr.Wahidin No.1
Gedung Djuanda II
Lt 19-20
Jakarta Pusat
DKI Jakarta 10710
Indonesia
Tel: 021 384 3237
Fax: 021 345 3710
Website: www.ppajp.depkeu.go.id

IRELAND

Irish Auditing & Accounting Supervisory Authority
Willow House
Millennium Park
Naas
Co. Kildare
Ireland
Tel: +353 (0)45 983600
Fax: +353 (0)45 983601
Email: info@iaasa.ie
Website: www.iaasa.ie / www.iaasa.eu

ITALY

Commissione Nazionale per le Società e la Borsa (CONSOB)

3, Via G.B. Martini

00198 Rome

Italy

Tel: 00 39 068 4771

Fax: 00 39 068 477763

Website: www.consob.it

JAPAN

Certified Public Accountants & Auditing Oversight Board (CPAAOB)

3-2-1 Kasumigaseki

Chiyoda-ku

Tokyo 100-8905

Japan

Tel: +81 3 5251 7283

Fax: +81 3 5251 7288

Website: www.fsa.go.jp/cpaaob

Financial Services Agency (FSA)

3-2-1 Kasumigaseki

Chiyoda-ku

Tokyo, 100-8967

Japan

Tel: +81 3 3506 6895

Website: www.fsa.go.jp

JERSEY

Jersey Financial Services Commission (FSC)

PO Box 267

14-18 Castle Street

St Helier

Jersey

JE4 8TP

Channel Islands

Tel: + 44 (0) 1534 822110

Fax: +44 (0) 1534 822002

Website: <http://www.jerseyfsc.org/>

KOREA

Financial Services Commission (FSC)

27 Yoido-Dong

Youngdeungpo-Gu

Seoul 150-743

Korea

Tel: 00 82 2 3771 5000

Website: www.fsc.go.kr

Financial Supervisory Service (FSS)

27 Yoido-Dong

Youngdeungpo-Gu

Seoul 150-743
Korea
Tel: 00 82 2 3771 5114
Website: www.fss.or.kr

LIECHTENSTEIN

Financial Market Authority Liechtenstein (FMA)
Finanzmarktaufsicht Liechtenstein (FMA)
Landstrasse 109,
P.O. Box 279, 9490
Vaduz, Liechtenstein
Tel: +423 236 73 73
Email: info@fma-li.li
Website: www.fma-li.li

LITHUANIA

The Authority of Audit and Accounting
Ukmerges 222
LT-07157, Vilnius
Lithuania
Tel: +370 5 262 0198
Fax: +370 5 262 0782
Email: admin@aat.lt
Website: www.aat.lt

LUXEMBOURG

Commission de Surveillance du Secteur Financier (CSSF)
110, route d'Arlon
L-2991 Luxembourg
Tel: 352 26 25 1 351
Fax: 352 26 25 1 603
Email: direction@cssf.lu
Website: www.cssf.lu

MALAYSIA

Audit Oversight Board
Securities Commission Malaysia
Suite 8-6, Level 8
Wisma UOA Damansara II
No 6, Changkat Semantan
Damansara Heights
50490, Kuala Lumpur
Tel: +60320910666
Website: www.sc.com.my/

MAURITIUS

Financial Reporting Council
3rd Floor
Anglo Mauritius Building
Intendance Street
Port-Louis Mauritius

Email: snaiken@mail.gov.mu
Website: www.frc.mu

THE NETHERLANDS

Autoriteit Financiële Markten (AFM)
P.O. Box 11723
1000 GS
Amsterdam
The Netherlands
Tel: +31 20 707 2000
Fax: +31 20 797 3800
Website: www.afm.nl

NEW ZEALAND

Financial Markets Authority
DX Box CX10033
PO Box 106 672
Auckland 1143
Website: <https://www.fma.govt.nz/>

NORWAY

Finanstilsynet / The Financial Supervisory Authority of Norway
P.O. Box 1187 Sentrum
N-0107 Oslo
Norway
Tel: 00 47 2293 9901
Fax: 00 47 2293 9996
Website: www.finanstilsynet.no

POLAND

Audit Oversight Commission
12 Swietokrzyska Str, 00-916 Warsaw, Poland
Tel: +48 22 694 39 61
Fax: +48 22 694 32 60
Email: biuro.kna@mf.gov.pl

PORTUGAL

Conselho Nacional de Supervisão de Auditoria/ National Council of Auditing Supervision
Rua do Crucifixo, n.º 7 - 3.º
LISBON - PORTUGAL
Tel: +351213233411
Fax: + 351213432858
Email: cnsa@cnsa.pt
Website: www.cnsa.pt/

SINGAPORE

Accounting and Corporate Regulatory Authority (ACRA)
10 Anson Road
05-01/15
International Plaza
Singapore 079903

Tel: 00 65 6325 0206
Fax: 00 65 6225 1676
Website: www.acra.gov.sg

SLOVAK REPUBLIC

Auditing Oversight Authority
Slovanská 1
PO Box 63
810 05 Bratislava 15
The Slovak Republic
Tel: +421 2 57267511
Fax: +421 2 57267500
Email: udva@udva.sk
Website: www.udva.sk

SLOVENIA

Agency for Public Oversight of Auditing
Glinška 3
1000 Ljubljana
Slovenia
Tel: +386 (1) 620 85 50
Fax: +386 (1) 620 85 52
Email: info@anr.si
Website: www.anr.si

SOUTH AFRICA

Independent Regulatory Board for Auditors (IRBA)
Building 2, Greenstone Hill Office Park
Emerald Boulevard
Modderfontein
South Africa
Tel: +27(0)87 940 8800
Email: communications@irba.co.za
Website: www.irba.co.za

SPAIN

Accounting and Auditing Institute (ICAC)
Calle de las Huertas 26
28014 Madrid
Spain
Tel: 00 34 91 389 5607
Fax: 00 34 91 429 9486
Website: www.icac.meh.es

SRI LANKA

Accounting and Auditing Standards Monitoring Board
3rd Floor
293 Galle Road
Colombo 3
Sri Lanka
Tel: 00 941 301 210

Fax: 00 941 301 211
Website: www.slaasmb.org/

SWEDEN

Supervisory Board of Public Accountants
Karlavägen 104
Box 24014
104 50 Stockholm
Sweden
Tel: +46 8 783 18 70
Fax: +46 8 783 18 71
Website: www.rn.se

SWITZERLAND

Federal Audit Oversight Authority FAOA
P.O. Box 6023
Bundesgasse 18
CH-3001 Berne
Switzerland
Tel: +41 31 560 22 10
Website: www.revisionsaufsichtsbehoerde.ch/

CHINESE TAIPEI

Financial Supervisory Commission
18F, No. 7, Sec. 2, Sianmin Blvd.
Banciao City, Taipei County
Taiwan 22041
Tel: (886 2) 8968 0899
Fax: (886 2) 8969 1162
Email: international@fsc.gov.tw
Website: www.fsc.gov.tw

THAILAND

Securities and Exchange Commission
15th Fl.
GPF Witthayu Towers B
93/1 Wireless Road
Lumpini
Patumwan,
Bangkok 10330
Tel: (66) 2695-9584
Fax: (66) 2695-9792
Website: www.sec.or.th

TURKEY

Capital Markets Board of Turkey (CMB)
Sermaye Piyasasi Kurulu
Eskishehir Yolu 8. Km. No. 156
06530 Ankara
Turkey
Tel: +90 (312) 292 90 90

Fax: +90 (312) 292 90 00
Website: www.cmb.gov.tr

Public Oversight, Accounting and Auditing Standards Authority (POA)
Söğütözü Mah. 2177
Sok. No: 4 Çankaya
06530 Ankara
Turkey
Tel: +90 (312) 253 55 55
Fax: +90 (312) 253 55 58
Website: www.kgk.gov.tr

UNITED KINGDOM

Financial Reporting Council (FRC)
8th Floor
125 London Wall
London EC2Y 5AS
Tel: +44 20 7492 2300
Fax: +44 20 7492 2301
Website: www.frc.org.uk

UNITED STATES OF AMERICA

Public Company Accounting Oversight Board (PCAOB)
1666 K Street, NW
Washington DC 20006-2803
USA
Tel: (202) 207 9100
Fax: (202) 862 8430
Website: www.pcaobus.org

OBSERVERS

The following organizations are observers of IFIAR meetings:

- Basel Committee of Banking Supervisors
- European Commission (EC)
- Financial Stability Board (FSB)
- International Association of Insurance Supervisors (IAIS)
- International Organization of Securities Commission (IOSCO)
- Public Interest Oversight Board (PIOB)
- World Bank

IFIAR WORKING GROUPS' MEMBERSHIP

Enforcement Working Group

Chair: Takashi Nagaoka, FSA, Japan

Vice Chair: Claudius Modesti, PCAOB, USA

Members:

- ASIC Australia
 - AB3C Finland
 - AOC Germany
 - AFM The Netherlands
 - CNSA Portugal
 - FAOA Switzerland
 - FSC Chinese Taipei
 - FRC United Kingdom
-

Global Public Policy Committee (GPPC)

Chair: Brian Hunt, CPAB, Canada

Members:

- ASIC Australia
 - H3C France
 - AOC Germany
 - CPAAOB/FSA Japan
 - AFM The Netherlands
 - ACRA Singapore
 - FRC United Kingdom
 - PCAOB United States
-

Inspection Workshops Working Group

Chair Tim Volkmann, AOC, Germany

Members:

- ADAA Abu Dhabi
 - CPAB Canada
 - H3C France
 - AOC Germany
 - CPAAOB/FSA Japan
 - CSSF Luxembourg
 - IRBA South Africa
 - FAOA Switzerland
 - FRC United Kingdom
 - PCAOB United States
-

International Co-operation Working Group

Chair: Doug Niven, ASIC, Australia

Members:

- CPAB Canada
- H3C France
- CONSOB Italy
- CPAAOB/FSA Japan
- FSC/FSS Korea
- SBPA Sweden
- FAOA Switzerland
- FRC United Kingdom
- PCAOB United States

Observer:

- European Commission
-

Investor and Other Stakeholders Working Group

Chair: Steve Harris, PCAOB, USA

Members:

- CPAB Canada
 - H3C France
 - CPAAOB/FSA Japan
 - FSC/FSS Korea
 - AFM The Netherlands
 - ACRA Singapore
 - IRBA South Africa
 - FRC United Kingdom
-

Standards Coordination Working Group

Chair: Marjolein Doblado, H3C, France

Members:

- ASIC Australia
 - CPAB Canada
 - AOC Germany
 - CONSOB Italy
 - CPAAOB/FSA Japan
 - AFM The Netherlands
 - IRBA South Africa
 - ICAC Spain
 - FAOA Switzerland
 - FRC United Kingdom
 - PCAOB United States
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IFIAR CORE PRINCIPLES

Introduction

IFIAR is an organization of independent audit regulators (hereinafter, 'audit regulators'). The organization's primary aim is to enable its Members to share information regarding the audit market environment and practical experiences of independent audit regulatory activity, with a focus on inspections of auditors and audit firms.

Consistent with the IFIAR Charter, the Core Principles (hereinafter, 'Principles') seek to promote effective independent audit oversight globally, thereby contributing to Members' overriding objective of serving the public interest and enhancing investor protection by improving audit quality.

An audit regulator's membership in IFIAR is not dependent on its status in implementing the Principles. However, Members are encouraged to work towards implementing them where appropriate in their own jurisdictions, taking account of the risk profile, size and complexity of audit firms in their market. It is recognized that legislative change or other measures by national authorities not in control of the audit regulator may be required to achieve adherence to the Principles.

The Principles are intended to:

- Assist Members in developing their own national arrangements through being able to draw on and hence benefit from the experience of other members;
- Advance widespread adoption of high quality audit oversight practice aimed at fostering high quality audits and promoting public trust in the financial reporting process; and
- Support cooperation between regulators and promote greater consistency of audit oversight. The Principles may also assist audit regulators who are not already Members of IFIAR to develop effective independent audit oversight arrangements.

The Principles are presented in bold lettering followed by an explanatory text that provides further explanation.

A system of audit oversight and audit regulation can only be effective subject to certain preconditions; that is if it exists within an appropriate external environment. Such preconditions, although often outside the control of the national audit oversight system, in practice have a direct impact on the effectiveness of that system. The main precondition is the existence of a well- developed legal and corporate governance framework as to provide necessary support for high quality auditing. Elements of this framework will cover the following:

- Comprehensive and well defined accounting and auditing principles and standards that are generally accepted;
- Legal requirements for the preparation and publication of financial statements according to those principles and standards;
- An enforcement system for preparers of financial statements to ensure compliance with accounting standards (e.g. fines, shareholder redress or penalties on responsible managers for non-compliance);

- Corporate governance arrangements and practices that support high-quality corporate reporting and auditing practice; and
- Effective educational and training arrangements for accountants and auditors.

Where shortcomings exist, audit regulators should make the government or other relevant decision makers aware of such matters and their potential impact on audit quality or the operation of an effective audit oversight system. Audit regulators should also act, as part of their normal activities, with the aim of mitigating the effects of such shortcomings on the effectiveness of their oversight, regulation and inspection.

Part A. Structure

Principle 1: The responsibilities and powers of audit regulators should serve the public interest and be clearly and objectively stated in legislation.

Audit regulators should have a mandate to work in the public interest and protect investors by seeking to improve audit quality. The responsibilities and powers of audit regulators should, at a minimum, require independent oversight of the audits of public interest entities.

The legal framework for audit oversight should set forth the audit regulator's mandate and responsibilities, and provide the regulator with adequate powers and authority that enable the regulator to perform its audit oversight duties, including powers to address, through inspection and enforcement, compliance with the requirements for the authorization/registration of auditors/audit firms and compliance with applicable auditing, professional and independence standards.

Principle 2: Audit regulators should be operationally independent.

Independence means the ability to undertake regulatory activity and to take and enforce decisions without external interference by those regulated. The audit regulator should be operationally independent from external political interference and from commercial, or other sectoral interests, in the exercise of its functions and powers, including not being controlled in its governance by audit practitioners. The audit regulator should have a stable source of funding, which is secure and free from influence by auditors and audit firms and sufficient to execute its powers and responsibilities.

Principle 3: Audit regulators should be transparent and accountable.

The audit regulator should have public accountability in the use of its powers and resources to ensure that the audit regulator maintains its integrity and credibility. Further, the decisions and actions of the audit regulator should be subject to appropriate scrutiny and review, including appeal to a higher authority. Transparency should include the publication of annual work plans and activity reports, including the outcome of inspections either in the aggregate or on a firm by firm basis.

Part B. Operations

Principle 4: Audit regulators should have comprehensive enforcement powers which include the capability to ensure that their inspection findings or recommendations are appropriately addressed; these enforcement powers should include the ability to impose a

range of sanctions including, for example, fines and the removal of an audit license and/or registration.

Audit regulators should at a minimum be responsible for the system and conduct of recurring inspection of audit firms undertaking audits of public interest entities. Audit regulators should have the authority and ability to enforce inspection findings and recommendations. The audit regulator should have comprehensive enforcement arrangements such as fines, suspensions and the removal of an auditor's or audit firm's license or registration.

Audit regulators should have adequate and appropriate mechanisms for enabling information to be brought to their attention by third parties and for then dealing with such information, such as through complaints procedures or through whistle blowing arrangements. These mechanisms should act in a timely and effective manner and their results followed up through an appropriate system of investigations and penalties in relation to cases of inadequate or noncompliant execution of an audit.

Principle 5: Audit regulators should ensure that their staff is independent from the profession and should have sufficient staff of appropriate competence.

Audit regulators should have arrangements in place to ensure that inspection staff members are independent of the profession. These arrangements will, as a minimum, include ensuring that staff members should not be practicing auditors or employed by or affiliated with an audit firm, and that the arrangements are not controlled in any form by a professional body.

In order for audit regulators to be effective, it is a prerequisite that there is sufficient staff of appropriate competence. The persons carrying out the reviews of quality assurance systems of audit firms should have appropriate professional training and relevant experience in auditing and financial reporting, and training in regulatory quality assurance reviews.

This also means that adequate arrangements for consultation and discussion amongst inspectors are in place. New inspectors should be subject to proper supervision and appropriate training.

Principle 6: Audit regulators should be objective, free from conflicts of interest, and maintain appropriate confidentiality arrangements.

Audit regulators should maintain the highest standards of ethical conduct to provide the public with confidence in the objectivity of their decisions. Audit regulators should have in place prohibitions against conflicts of interest by its governing body and staff and ensure that appropriate arrangements are in place to protect confidential information from public dissemination.

Principle 7: Audit regulators should make appropriate arrangements for cooperation with other audit regulators and, where relevant, other third parties.

Taking into account the global nature of the financial markets, where necessary and relevant, cooperation and information sharing with other audit regulators and other third parties, including financial market regulators, is helpful to improve audit quality.

Audit regulators should provide timely assistance to each other within reasonable limits. Arrangements should be in place for sharing information between audit regulators and other

regulators (or between parts of the audit oversight system if it involves more than one body), and for protecting the confidentiality of such information.

Part C. Principles for inspections

Principle 8: Audit regulators should as a minimum, conduct recurring inspections of audit firms undertaking audits of public interest entities in order to assess compliance with applicable professional standards, independence requirements and other laws, rules and regulations.

The recurring inspections should be conducted pursuant to a process comprising the selection of the audit firms to inspect, appointment of an inspection teams with appropriate expertise and competence, notification to the audit firm, advance documentation request, notification of selection of audit engagements for review, meetings with management, and on-site inspection arrangements. The inspection process should be subject to appropriate internal quality control within the audit regulator to ensure high quality and consistency.

Principle 9: Audit regulators should ensure that a risk-based inspections program is in place.

Audit regulators should have a process for assessing risks in the audit environment and audit risks in individual regulated firms and their audit engagements. Audit regulators should have a process for taking into account their risk assessment in allocating their inspection resources and in the inspection approaches they adopt. These processes should be commensurate with the size and complexity of the audit firms and their clients. Audit regulators should have an established minimum cycle regarding the frequency of inspections.

Principle 10: Audit regulators should ensure that inspections include effective procedures for both firm wide and file reviews.

The risk-based inspection approach should also be reflected in both firm wide and audit file inspection procedures. The firm wide procedures should address the audit firm's quality control system as reflected in the firm's organization, policies and procedures. ISQC 1 or similar standards should be used as a benchmark in performing firm wide procedures. The inspection process should also include adequate testing of selected audit files in order both to determine the effectiveness of the firm's quality control system and to assess compliance with applicable laws, rules and professional standards.

Principle 11: Audit regulators should have a mechanism for reporting inspections findings to the audit firm and ensuring remediation of findings with the audit firm.

Audit regulators should have a process that ensures that criticisms or potential defects in an audit firm's quality control systems and issues related to an audit firm's performance of audits that are identified during an inspection are reported to the audit firm. Audit regulators' reporting processes should include the preparation and issuance of a draft inspection report, a process for the audit firm to respond, and the preparation and issuance of a final inspection report. In addition, audit regulators should have a process for ensuring that audit firms satisfactorily address inspection findings that were reported to the audit firm by the audit regulator.