



Speech IFIAR Chair Janine van Diggelen

2017 Plenary Meeting

April 4, 2017

Good evening everybody. I hope you are enjoying this evening just like I do. Before dinner will be served, I would like to address a few words to you.

Opening remarks

First, I would like to thank Dr. Toshiro Hiromoto, Chair of the CPAAOB, and Mr. Kiyotaka Sasaki, Director-General of Hosting IFIAR Permanent Secretariat in Tokyo, and their teams for hosting IFIAR's 2017 Plenary Meeting and this excellent dinner tonight. It is wonderful to be back again in Tokyo after the Interim Meeting in 2015. That is no coincidence of course. In the first place, it is because we love to be here, to enjoy once again your outstanding hospitality and to see for ourselves how beautiful the cherry blossoms are of which we only heard the last time we visited. But the most important reasons for being here this special week with so many highlights for IFIAR is yesterday's festive opening of our office and the start of our plenary meeting tomorrow here in Tokyo. Your support in making this happen and hosting us again is invaluable to us: *dōmo arigatō gozaimasu*.

I would also like to thank our new Executive Director, Members, IFIAR's Observers, members from IFIAR's Advisory Group and our guest speakers from the Standard Setting Boards and from the GPPC firms for joining our meeting and this dinner tonight.

Achievements

As you may know, my term as Chair will end after this Plenary Meeting. To me it has been a real honor to lead IFIAR and to bring my Chairmanship to a close with such important milestones that clearly mark a new phase in IFIAR's evolution. To sum up the most important ones:

We established a new legal entity in Japan and from now on we have a Permanent Secretariat with an Executive Director – Carl Renner also present here tonight – who will be supported by other staff who will work from our office here in Tokyo. Today we have also elected the new IFIAR Board which will have its inaugural Board meeting coming Friday. These two important milestones will strengthen our governance and will enhance our organizational capabilities significantly, aiming at improving audit quality globally.

This is particularly important as we know based on our last Inspection Findings Survey that there is still more to be done by all of us present. First and foremost, by the firms. Today the global CEO's have updated us on the progress they are making in further driving consistency and compliance in the execution of audits throughout their networks. They emphasized how important this is to each of them. But there is more to be done by regulators, standard setters, investors and other stakeholders including audit committees to enhance audit quality globally. Cooperation is the key success factor to achieve

this shared commitment. That is why I am also pleased to say that today the first 22 IFIAR members have strengthened their mutual cooperation by signing the IFIAR MMOU, which is another important milestone in view of our mission.

Strategic Outlook

With these important accomplishments, I think IFIAR is better positioned to meet the expectations and challenges in a rapidly changing environment. It is therefore that Brian and I have started to prepare a strategic plan for IFIAR together with the Advisory Council. Today we had good discussions on the outlines of our strategic plan including a strategic shift towards a more proactive IFIAR. We aim at having our strategic plan finalized in the coming year.

Developments in financial reporting

Personally, I think this is a very important process for the future success of IFIAR. I think in the next decade a lot of things are going to shift. Emerging trends in external reporting towards more non-financial information and integrated reporting on the strategic value drivers for the short-, mid- and long-term, on environmental, social and governance aspects will evolve, supported by emerging external reporting requirements in various parts of the world. More and more large corporations and banks report like this as their stakeholders including some of their investor groups drive them to do so. Some predict that over time financial statements will only be an annex to these kinds of integrated reports with continuous or real time reporting enabled through further technological developments. I believe this is not just a hype. *Standards & Poor's* started this month with green ratings for the impact on the environment and climate change as there is a lack of reliable data on how green companies and their products actually are. Given the principle "what you measure is what you get" and considering various sustainability ratings and indices, I think the importance of these developments will increase significantly the coming years. There are new challenges such as the multiple frameworks that are currently being used, the open norms and what that means for comparability and what non-financial information should be audited and by whom. It requires collective thinking and action to further shape the future of external reporting.

Developments in IT

Another shift we also heard about today from the global CEOs is expected from developments in IT like data analytics, big data, artificial intelligence and new technologies like block chain. I have no crystal bowl but given the time it takes to apply these innovative technologies into new platforms and tools for the audit I believe that 3 to 5 years from now audits as we know them today, will start to change significantly. In my view these developments provide a lot of opportunity to make audits more effective, more efficient and as such have the potential to bridge the expectation gap around the assurance provided by audits, in particular in relation to frauds and unexpected sudden bankruptcies. Today we also heard about the impact these developments currently start to have on talent like the need for data and IT experts in the audit. In line with somewhat longer term expectations around more continuous or even real-time external reporting, some expect more continuous or real-time auditing emerging overtime while others expect completely different ways of validating information enabled by new tools and technologies.

How it eventually will evolve we do not know. More important is that we are on top of these developments so we can collectively contribute to the shaping of the future of audit. Future success of our organizations present here tonight will be dependent on how successful we will be in timely adapting our strategies to how we can best meet investor and public interest needs going forward.

I realize I have spoken more than just a few words. It is because thinking about IT as enabler to improve audit quality globally and to provide new perspectives on the future of audit and what that means for our strategy going forward, gives me a lot of positive energy. I hope it does so for you too.

Closing remarks

Today as IFIAR we have elected our new incoming Chair, Brian Hunt, and Vice Chair Frank Schneider who will together with the new Board lead IFIAR into the next phase. Brian, I would like to thank you for your support in leading IFIAR and through our intensive cooperation over the last years I know IFIAR will be in experienced hands with all the challenges inevitably coming along. I would also like to thank CPAB's and AFM's combined Secretariat team for their ongoing and relentless support to the success of IFIAR. Please join me in a warm round of applause for our incoming Officers and to thank our Secretariat for their support.

With that I do not want to hold you any longer from your dinner. I wish you all an enjoyable continuation of your evening. Thank you.

Janine van Diggelen
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