



## *A Strategic Step Forward 2018-2021:*

**Building Capability, Collaboration and  
Influence Across the Audit Regulatory  
Landscape**

# Contents

- 1.0 Executive Summary ..... 3**
- 2.0 Introduction..... 5**
- 3.0 IFIAR Mission..... 5**
- 4.0 Value Proposition ..... 6**
- 5.0 Critical Success Factors ..... 6**
- 6.0 Strategic Objectives ..... 7**
- 7.0 Core Strategies ..... 8**
- 8.0 Three-Year Milestones ..... 9**
- 9.0 Strategic Outcomes .....10**
- 10.0 Summary.....10**
- Appendix 1: Background Paper .....11**
- Appendix 2: 2016 Environmental Scan .....14**

# IFIAR 2018-2021 Strategic Plan

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## 1.0 Executive Summary

The April 2017 Plenary Meeting was a significant point of departure for IFIAR's next stage of development, with establishment of a new Secretariat in Tokyo, hiring of IFIAR's first Executive Director (ED), and election of its first Board. Of particular significance was agreement by the Members that IFIAR undertake a strategic shift to a more proactive organization, exerting greater influence over the evolution of audit oversight globally over the next several years.

At a high level this shift is predicated on IFIAR:

- *Shaping the international dialogue* on audit oversight; and,
- *Initiating and coordinating strategic initiatives* by Members and key stakeholders which have a material impact on audit quality

To achieve this shift, IFIAR must be seen and heard as an authoritative voice on matters impacting audit quality; and sought out for its insights and perspectives by standard setters, the Firms, audit committees and related regulatory bodies.

This strategic plan – IFIAR's first – reflects input from the Board at its inaugural meeting April 7, 2017 and since; and sets out a roadmap for the next three years to enable this outcome. Implemented as outlined, it will position IFIAR as a *value creator* for Members and a *strategic influencer* of audit quality with global and regional network firms, standard setters, and other key stakeholders.

The key elements of this plan are:

**IFIAR's Mission:** *To serve the public interest, including investors, by enhancing audit oversight globally*

**Value Proposition:** Building the capability of independent audit regulators and enhancing the collective impact of the audit regulatory community

### **Strategic Objectives:**

1. Achieve significantly improved audit quality on a global basis
2. Enhance capabilities for independent audit oversight
3. Grow the membership

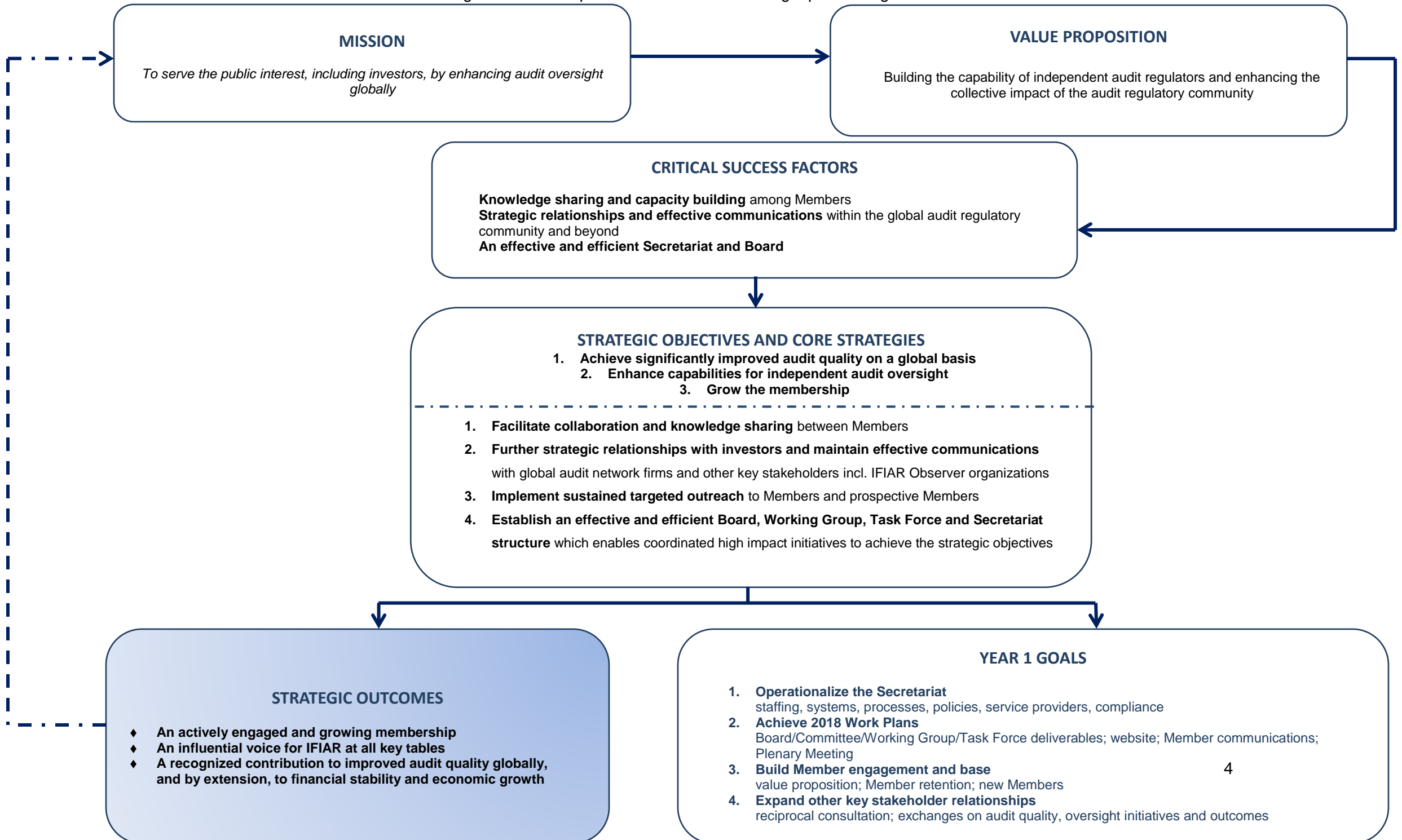
### **Core Strategies<sup>1</sup>:**

1. Facilitate collaboration and knowledge sharing between Members (1,2)
2. Further strategic relationships with investors and maintain effective communications with global audit network firms and other key stakeholders including the IFIAR Observer organizations (1)
3. Implement sustained targeted outreach to Members and prospective Members (1,3)
4. Establish an effective and efficient Board, Working Group, Task Force and Secretariat structure which enables coordinated high impact initiatives to achieve the strategic objectives (1,2,3)

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<sup>1</sup> Bracketed references denote alignment to respective strategic objectives.

The following schematic depicts the 2018-2021 strategic plan at a glance:



## 2.0 Introduction

Established in 2006 with 17 Members, IFIAR has grown to 52 Members with a reputation for the advancement of cooperation and information sharing across jurisdictions and stakeholders on matters of audit quality and oversight.

As it enters its second decade, IFIAR is undertaking measures to position itself strategically in an increasingly complex environment. A number of factors have implications for IFIAR's future role, for its Members and for other key stakeholders:

- Interconnectedness and volatility of the global economy
- Challenges to the relevance of the audit
- Changes in demographics and qualifications within the audit profession
- Emergence of new and potentially disruptive technologies
- Continual changes to audit/accounting standards and the broader financial regulatory system

These factors<sup>2</sup> serve as an important backdrop to IFIAR's future direction.

## 3.0 IFIAR Mission

Fundamental to IFIAR's mission is the role of audit oversight in serving the public interest through the protection of investors and other users of audited financial statements. Important considerations informing the mission include the public interest in the role of the audit, the professional quality of auditors, and audit quality. Improvements in these areas in turn support informed and confident financial markets, contributing to global financial stability and economic growth.

In articulating a refined mission, the Board endeavoured to strike the right balance between scope, focus and enduring impact. The resultant statement is as follows:

### **IFIAR Mission**

*To serve the public interest, including investors, by enhancing audit oversight globally*

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<sup>2</sup> Appendix 2 - 2016 IFIAR Environmental Scan

## 4.0 Value Proposition

Central to fulfilling this mission is delivering on a value proposition for Members and prospective Members which is distinctive and compelling. For this first three-year plan horizon, IFIAR's value proposition will comprise these key elements:

- **A facilitator of collaboration and knowledge sharing** between Members of strategies and practices for sustained high quality audit oversight.
- **A forum for coordinated sustained messaging** to global network firms and standard setters on the imperative of consistent high audit quality. A clear media strategy will be important to enable this communication and embed IFIAR's value proposition with all key stakeholders.
- **Global representation** of audit regulators to investors and international and regional bodies concerned with audit quality.

In essence, IFIAR's value proposition may be summarized as:

### IFIAR Value Proposition

Building the capability of independent audit regulators and enhancing the collective impact of the audit regulatory community

## 5.0 Critical Success Factors

The following are the critical things IFIAR must do well to fulfil its mission and deliver on this value proposition:

- **Knowledge sharing and capacity building** among Members. This is the first and foremost focus for IFIAR strategically and represents the opportunity for greatest value add to Members.
- **Strategic relationships and effective communications** with investors, audit committees, the global network firms, standard setters and other key stakeholders. Of note, investor input is critical to understand their expectations and ensure IFIAR's efforts are appropriately addressing the concerns of this constituency.
- **An effective and efficient Secretariat and Board.** Strategic and operational excellence are fundamental to all of IFIAR's pursuits as referenced in this plan.

These factors are reflected in the strategic objectives and core strategies which follow. Measures to assess progress relative to these factors are incorporated in the 2018 Operating Plan.

## 6.0 Strategic Objectives

The foregoing elements of strategy, in conjunction with the 2016 Environmental Scan and SWOT, served to identify **three overarching objectives** for IFIAR for the next three years:

- |   |
|---|
| <ol style="list-style-type: none"><li><b>1. Achieve significantly improved audit quality on a global basis</b></li><li><b>2. Enhance capabilities for independent audit oversight</b></li><li><b>3. Grow the membership</b></li></ol> |
|---|

These are discussed briefly below.

### **Achieve Significantly Improved Audit Quality**

The objective to improve audit quality lies at the core of IFIAR's mission. Its attainment will comprise a significant improvement in audit quality globally and will attest to IFIAR's impact and influence.

It is noted that audit quality is principally the domain of the firms and that improvement of global consequence will occur at the national level. However, IFIAR's role is significant in focusing the attention of network firm leadership on inspection results and on the overall audit quality imperative. To promote such attention, the Global Audit Quality (GAQ) Working Group has set a target to achieve a 25% reduction in the rate of findings of the global network firms by 2019. An understanding and agreement with the GPPC and GAQ on new initiatives needs to be developed for 2020 and beyond.

The 2018 Operating Plan provides for IFIAR, through the Global Audit Quality Working Group, to evolve post-2019 initiatives aimed at improving audit quality worldwide.

Just as IFIAR is emphasizing the importance of consistency of audit execution by the firms it needs to consider measures to promote regulatory processes across the membership. This is also referenced in the 2018 Operating Plan in actions associated with this strategic objective.

### **Enhance Capabilities for Independent Audit Oversight**

Perhaps the greatest value IFIAR can offer current and prospective Members, this objective comprises sharing methodologies, tools and techniques, extending consultative assistance, offering access to training programs, and providing a collaboration and knowledge network. In the aggregate, this value added expertise will make a substantive contribution to the impact of IFIAR's Members and prospective Members on audit oversight in each of their jurisdictions.

### **Grow the Membership**

Members are the lifeblood of IFIAR. While the organization has grown to 52 Members since its founding, there is considerable potential to expand the membership to include all jurisdictions with an independent oversight authority, in accordance with IFIAR's membership criteria.

The strategic objective of growing the membership is prompted by a desire to effect truly global improvements in audit quality in the global public interest.

Achieving this objective will require marshalling the resources of the Secretariat and Board to approach the Member attraction process in a disciplined prioritized manner and consistently demonstrate the merits of IFIAR's value proposition.

It will also as needed require IFIAR to extend consultative assistance to prospective Members who may not readily meet acceptance criteria.

## 7.0 Core Strategies

Core strategies are the pathways to achieve these strategic objectives - in a sense, the pillars supporting the plan. They emanate directly from the various plan elements, notably the value proposition and critical success factors.

The strategies comprise an *integrated set* which underpin the three strategic objectives. They in turn drive development of annual operating plans with discrete goals and actions for each year of the plan.

IFIAR's **four core strategies** for this planning horizon are:

### 1. Facilitate collaboration and knowledge sharing between Members

To implement this strategy, the Secretariat will, among other activities, need to:

- Expand Member engagement and promote collaboration and synergy through the Member newsletter and other channels.
- Build a repository of Member technical training programs and thought leader papers for access by the membership at large.
- Implement a skills inventory and secondment database for staffing special projects and short term initiatives in Member jurisdictions.

### 2. Further strategic relationships with investors and maintain effective communications with global network firms and other key stakeholders including IFIAR Observer organizations

Fulfilling IFIAR's mission and delivering on its value proposition can only be attained in concert with others, through a coordinated approach to enhanced audit oversight and audit quality outcomes. Implementing this second strategy will, among other actions, require IFIAR to:

- Launch a comprehensive stakeholder communication and advocacy plan that informs investors and other stakeholders of factors impacting audit quality globally.
- Be and be perceived as a leading international voice on key audit quality matters.
- Influence audit practices and standard setting, the latter to ensure auditing and professional and ethical standards are high quality and are enhanced in a timely manner when improvement areas are identified. This influence can be achieved through membership in the Monitoring Group and inputs to standard setting initiatives through the Standards Coordination Working Group.
- Continue dialogue with the six largest network firms which will impact audit quality in the majority of audits worldwide.



### **3. Implement sustained targeted outreach to Members and prospective Members**

A consistent focused approach to Member and prospective Member outreach is key to attraction and retention. Included in this approach are actions such as:

- Targeting key G20 Members.
- Penetrating the regions of Central and South America, Africa, and rapidly growing emerging economies in Asia.
- Implementing environmental scanning and a contact management database to effectively pursue relationships with eligible prospective Members and identify select profile-raising opportunities for IFIAR's participation.

Sustained outreach will present opportunities to assist prospective Members who may need to enhance their degree of independent audit oversight to qualify for membership. This, in turn, will reinforce IFIAR's value proposition of building the collective impact of the audit quality regulatory community.

### **4. Establish an effective and efficient Secretariat, Board, Working Group and Task Force structure**

A high functioning Secretariat and Board are central to IFIAR's ability to achieve its strategic objectives and implement the foregoing strategies.

This involves building an aligned cohesive Secretariat team devoted to operationalizing strategic and operating plans in conjunction with the Board, Committees, Working Groups and Task Forces. Continually scanning the operating environment, being highly responsive to Member needs, bringing a more coordinated approach to Working Groups and Task Forces, and prioritizing and coordinating resource allocation across work streams are key to executing this core strategy.

In the first instance, tone and direction must be set by the Board as it is doing with this strategic plan. Identifying core issues and opportunities on an ongoing basis, engaging in 'fierce debates' on matters of policy and strategy, and achieving consensus and speaking as one to stakeholders are all central to this strategy.

In the aggregate, these four core strategies will enable IFIAR to effect skills and knowledge transfer internally, and shape audit oversight and audit practices externally. Details associated with the above high level actions will be incorporated into annual operating planning in each year of the strategic plan timeframe.

#### **8.0 Three-Year Milestones**

The following milestones are high level markers to track implementation of this strategic plan:

2018-19: Operational Excellence	2019-20: Member and Stakeholder Relationship Management	2020-21: Thought Leadership
<ul style="list-style-type: none"> <li>• Fully functioning Secretariat team</li> <li>• Coordinated Secretariat/Board/WG/ TF priorities and Work Plans</li> <li>• Operating Plan targets achieved</li> </ul>	<ul style="list-style-type: none"> <li>• Consistent impactful outreach and influence</li> <li>• Ongoing strategic Member and stakeholder collaborations</li> <li>• Acknowledged leadership role within the global audit oversight community</li> </ul>	<ul style="list-style-type: none"> <li>• High profile thought leader papers published on the next generation of audit regulation, risk, and practice issues</li> </ul>

**9.0 Strategic Outcomes**

The plan as outlined will yield **three strategic outcomes**:

- ❖ **An actively engaged and growing membership.** The size of the membership will have increased substantially; Members will be actively engaged in the affairs of IFIAR and in fulfilling its aims; and Member capability will have grown appreciably by virtue of a focus on facilitation, collaboration and knowledge sharing.
- ❖ **An influential voice for IFIAR at all key tables.** IFIAR will have advanced its presence across the audit regulatory landscape by virtue of its insight, experience, and the premium it has placed on key stakeholder engagement.
- ❖ **A recognized contribution to improved audit quality globally.** High quality audits inform financial statement users of the reliability of the report information. Confidence in financial reporting, in turn, contributes to better-informed capital allocation decisions and, as a result, to global financial stability and economic growth. By delivering on its value proposition and attaining its strategic objectives, IFIAR will be a ‘force multiplier’ in furthering this overarching goal.

**10.0 Summary**

Developing strategy is a balancing act.

It must take into consideration the past while envisioning a potentially very different future; leverage core competencies while providing for the development and/or acquisition of new capabilities; identify and assess risks and make choices; be bold while not straying unduly from the core.

Importantly, strategy must strive to be generally correct versus precisely wrong.

IFIAR’s first plan achieves this balance. It takes into consideration key forces and trends in the operating environment; responds to the value drivers of Members and prospective Members; builds internal capacity and external influence; and provides a roadmap for the fulfilment of a compelling mission.

In implementing this plan and achieving its strategic objectives, IFIAR will have made a meaningful contribution to *servicing the public interest by enhancing audit oversight globally.*

## Appendix 1: Background Paper

### Strategic Shift

At the April 2017 Plenary Meeting, a strategic shift was endorsed for IFIAR to move to a more proactive organization which can be summarized as follows:

<b>FROM in general</b>	<b>TO including</b>
Providing a platform for international dialogue on audit quality	<i>Shaping the international dialogue</i> on audit oversight and the future of audit
Sharing knowledge, practical experience, and inspection findings outcomes	<i>Initiating and coordinating strategic initiatives</i> by Members and key stakeholders which enhance audit oversight globally
Monitoring progress made by individual audit network firms on audit quality	<i>Addressing the firms' quality processes in regard to managing the audit</i> , not strictly engagement oversight
Responding to international standard setters' Strategic Work Plan and exposure drafts	<i>Proactively influencing international standard setters' Strategic Work Plan</i> to drive consistency of high quality audit execution
Ad hoc dialogue with external stakeholders	<i>Planned sustained stakeholder engagement</i> inclusive of organizations that represent investors, audit committee leaders, securities regulators, including the FSB, IOSCO, BCBS and others.
Limited stakeholder communications	<i>Expanded value adding Member and key stakeholder publications and other engagements</i>

### Organizational Capabilities

Organizational capabilities are the building blocks of effective strategy execution. They may be ones the organization has *or must develop/acquire* through a process of sustained investment and/or external sourcing over an extended period of time.

The following capabilities will be built out by IFIAR over the course of the strategic plan horizon:

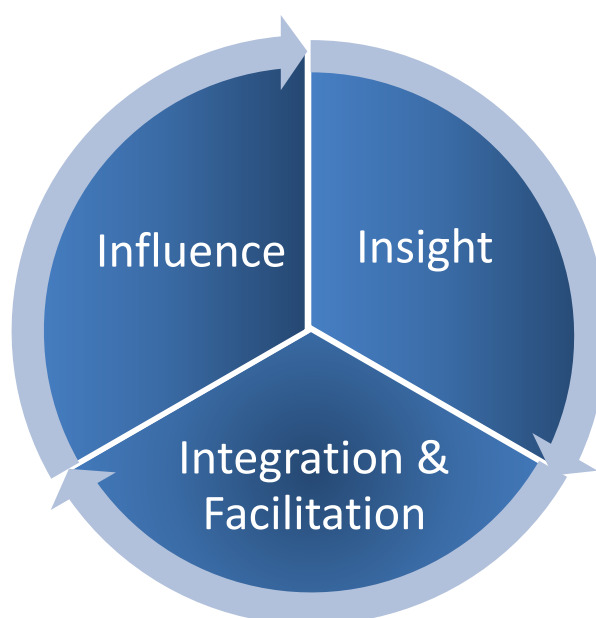
- **Insight** into global audit practices and broader financial environmental forces. This capability encompasses:
  - *Proactive identification/assessment of issues and trends* shaping the future of audit and audit regulation.
  - *Broad understanding of/expertise in* the financial sector and financial regulation within and beyond audit.
  - *An ability to distil policy implications* for the audit sector, its oversight bodies, and other key stakeholders of audit quality and governance.

- **Integration** of information and **facilitation** of knowledge sharing and collaboration between Members and key stakeholders which build independent audit oversight capability.

This combined capability encompasses elements such as:

- *Implementing active communication channels which provide for proactive and just-in-time exchanges on matters of audit oversight, audit approaches, and stakeholder relationship management.*
  - *Establishing knowledge repositories on audit oversight matters for ready Member access.*
  - *Implementing a skills inventory and a secondment database to enable Member staffing of high impact short term initiatives.*
- **Influence** a host of key stakeholders including global network firms, standard setters, related regulatory authorities, audit committees and investors to advance strong audit oversight and consistency of high quality audit execution.

Combined, these organizational building blocks will comprise a *core capability system* which will underpin IFIAR's value proposition and its long-term impact.



## Strategic Plan Implementation and Governance

### Working Groups and Task Forces

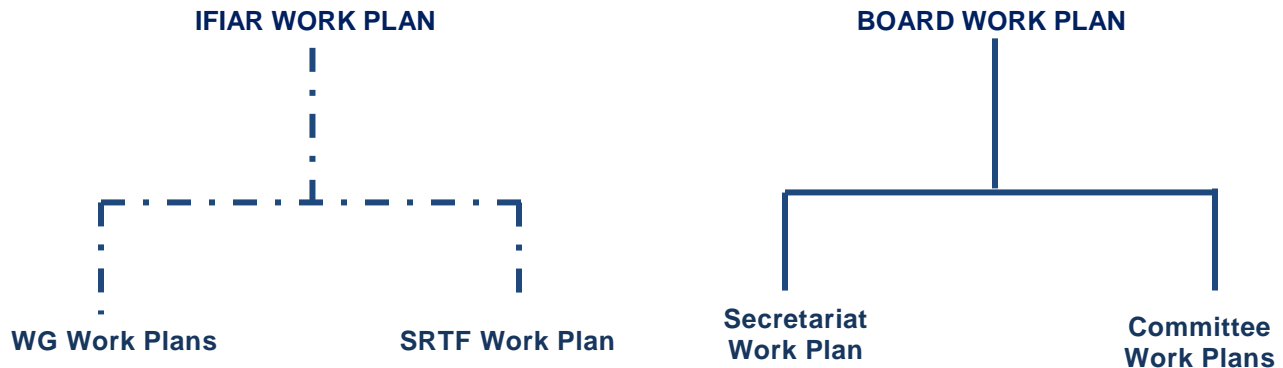
IFIAR's six Working Groups (WGs) and two Task Forces<sup>3</sup> play a vital role in the development and implementation of its strategy.

Under the coordination of the Vice Chair, the WGs are pursuing significant initiatives in an increasingly integrated manner, while the Task Forces provide important venues for conducting

<sup>3</sup> Inspection Findings Survey Task Force (IFSTF); Smaller Regulator Task Force (SRTF); Enforcement Working Group (EWG); Global Audit Quality Working Group (GAQ WG); Investor and Other Stakeholders Working Group (IOSWG); Inspection Workshop Working Group (IWWG); Standards Coordination Working Group (SCWG); International Cooperation Working Group (ICWG)

discrete IFIAR projects inclusive of high profile surveys and for shared learnings, collaborations and capability development

Historically, IFIAR has been guided by an annual Work Plan prepared by the Officers with advice from the Advisory Council. In this inaugural year of the Secretariat and Board, IFIAR also has Secretariat and Board Work Plans which are supplemented by Work Plans for the Human Resources and Governance Committee (HRGC) and the Audit and Finance Committee (AFC) of the Board, each with their own significant deliverables. This current plan configuration may be depicted as follows:



The Board affirms appointments of WG Chairs who are coordinated by the Vice Chair and who present updates at Board meetings. Nonetheless, WGs and TFs operate autonomously and do not formally report to the Board.

Going forward, the strategic plan will drive an annual Operating Plan encompassing plans at the Committee, Working Group and Task Force levels. This streamlined approach will enhance connectivity between entities within the governance structure and across plans, and drive greater efficiency and effectiveness of resource utilization in overall strategy implementation. The revised plan structure follows.



## Appendix 2: 2016 Environmental Scan

The following factors reflect **trends in IFIAR's external and internal operating environments** which are considered to present the potential to have a significant impact on the audit profession, Members' shared interest in matters of auditor oversight, and by extension IFIAR as an organization, over the next three to five years.

- **Globalization - Geo-Political Environment**

- Changing multi-jurisdictional business models, structures within public interest enterprises (PIEs) which are challenging to keep current with from a regulatory perspective
- Governance challenges within firms in balancing audit and non-audit activity
- Growth of Big Four firms due to globalization of PIEs, which presents a concern of 'too big to fail' given potential impact on confidence in capital markets
- Growth also impacts consistency of audit practices across geographies
- Changing key stakeholder expectations and widening range of stakeholders
- Challenges of auditing in foreign jurisdictions given opaqueness of information and/or under-developed regulatory regimes
- Enhanced importance of timely access to information to make risk assessments in a complex global environment
- Changes in governments and shifts in regulatory priorities
- Audit firms' involvement in complex tax planning for multinational companies, through offshore plans and structures which are becoming less tenable
- Continuing suitability of audit standards in light of changes/challenges in the operating environment for audit; and lack of clarity as to the degree of representation of public interest considerations in the standard setting process
- Impacts of these myriad changes on audit firms' risk models

- **Audit Committee Role**

- Enhanced given the foregoing factors in the global operating environment with the resultant need for value added support from IFIAR, offset by the difficulty of gaining Audit Committee access given increasing demands on committee time

- **Audit Fees and Margins**

- Flat or decreasing in some cases reflecting a potential commoditization trend, which in turn presents risk from an audit quality perspective and challenges balancing audit and non-audit activity
- In some markets, changes such as mandatory firm rotation driving enhanced perceived value of audit with fees being maintained/increased

- **Talent and Resourcing**

- Changing demographics with older practitioners leaving the profession and taking institutional memory of the firms and reporting issuers
- Challenges attracting and retaining millennials with different career/life drivers - offset however by their affinity for stimulating ethical roles in the public interest

- Increasing career options for accounting/finance graduates and professionals, compounded by offshoring of certain audit activities
  - Impact of fee structures in turn impacting compensation practices
  - Technology change driving the need for new skillsets such as analytics
  - Inability to move auditors across borders to match demand for particular skills
  - Limits to ability to address deadline pressures
  - Challenges in changing culture within firms and bringing new perspectives on adequacy of audit quality
- **Technology**
    - Impacts on audit process, security, staffing
    - Data analytics posing challenges and opportunities for firms and reporting issuers; and requiring changes to inspection methodologies for regulators
    - Artificial intelligence as a potential enabler of audit efficiency and quality, and/or potential disruptor of the audit profession
    - Block chain affording potential to increase security exponentially
- **Audit Relevance**
    - Increasing reliance on financial (i.e., non-GAAP measures) and other information such as narrative/NFR/integrated reporting not provided by audited financial statements
    - Technology disruptions which impact audit relevance
    - Wider public interest impact beyond investors due to changes in the operating environment
    - Increasing role of activist investors
- **Regulatory changes** in the audit/accounting and the broader financial regulatory regime