



INTERNATIONAL FORUM OF INDEPENDENT AUDIT REGULATORS (IFIA)

Work Plan 2017 – 2018

Introduction

In 2017/2018 IFIAR will for the first time have an IFIAR Board established under our new governance structure. In addition, the IFIAR Secretariat will open in Tokyo on April 1st with IFIAR's first Executive Director at its helm. At the Interim Meeting in 2016 the Officers and the Advisory Council began the development of IFIAR's first Strategic Plan. A high-level preliminary Overview of this plan has been developed reflecting these deliberations and will be presented at the Plenary Meeting in Tokyo in April 2017.

It is intended that the Board will continue this work over the next year with the objective of presenting a comprehensive Strategic Plan to IFIAR Members at the 2018 Plenary.

In the interim, the Officers have developed this Work Plan which lays out the key objectives and priorities for IFIAR for the next 12 months. In so doing, it will serve as a roadmap for the Board while the full strategic plan is developed. The structure of this Work Plan is as follows: Section 1 presents a statement on IFIAR's Mission followed by a discussion of IFIAR's Key Objectives and Priorities for the period April 2017-2018 in Section 2, including a detailed explanation of each (Sections 2.1 - 2.4). Section 3 presents a table summarizing IFIAR's key objectives, activities, and priorities including referencing those Working Groups and/or others responsible for carrying out the work necessary to implement the proposed Work Plan.

1 IFIAR's Charter

IFIAR's Charter sets out in general terms the types of activities that IFIAR should undertake in pursuit of its mission to serve the public interest and enhance investor protection by improving audit quality globally. These include the sharing of knowledge and experience among its Members; promoting collaboration and consistency in regulatory activities; initiating and leading a dialogue with relevant entities on audit quality matters; and formulating common views and positions on matters relevant to IFIAR's Members. This proposed Work Plan sets forth a more specific blueprint for the work that IFIAR will undertake in the next year in accordance with its charter and in pursuit of its mission.

2 IFIAR's Key Objectives and Priorities

Based on IFIAR's 2015-2017 Work Plan, the organization's key objectives for the next year are:

- Improving audit quality globally
- Implementing IFIAR's new governance structure and operations
- Strengthening IFIAR's role as the international leader on audit matters
- Facilitating learning and cooperation among IFIAR Members

Improving audit quality is IFIAR's primary mission and there are a number of activities that directly contribute to this objective. For this reason, improving audit quality globally is also included as IFIAR's first key objective. The other key objectives and activities thereunder have a more indirect contribution to the improvement of audit quality.

A description of the most important activities that IFIAR intends to carry out to achieve these key objectives is included below. It should be noted that some of these activities may relate to more than one key objective, although an effort has been made to place each activity with the objective to which it most closely relates.

2.1 Improving audit quality globally

The purpose of independent audit inspections is ultimately to enhance the level of audit quality. This should in turn increase the public's confidence in financial statements, thereby contributing to the more efficient operation of capital markets and greater investor protection. IFIAR's annual Inspection Findings Surveys indicate that audit quality deficiencies continue to occur in too many audits of public interest entities (PIEs). For this reason, improving audit quality remains IFIAR's most important objective. During the next year, the most important activities within IFIAR to improve audit quality globally will be:

- Continuing to press the six largest global networks for actions (25% reduction in significant findings)
- Providing input on audit standard setting and standard setting governance
- Conducting and reporting on IFIAR's Inspection Findings Survey
- Publication of thought papers on matters relating to audit quality
- Continuing to address group audit considerations

Continuing to press the six largest global networks for actions

IFIAR will continue its ongoing discussion on audit quality with the six largest global networks, primarily through IFIAR's Global Audit Quality (GAQ) Working Group. These discussions initially served to increase IFIAR's understanding of the role of the global networks vis-à-vis their member firms on audit quality issues. Over time, these discussions have broadened and deepened to also include consideration of various policy matters, such as the role of audit committees and auditor reporting, and the impact of the global financial crisis on audit quality. The discussions also include an assessment of network specific quality review outcomes, the underlying causal factors for these outcomes, and the individual network's plans to address these issues and improve audit quality. IFIAR intends to continue its discussions with the global networks on certain trends in the auditing industry that may have an impact on audit quality as well, such as the use of offshoring and big data/data analytics.

IFIAR plans to continue to press the audit firms to explore causal factors of audit deficiencies identified by the global networks themselves and to strengthen measures to be taken by the networks to address these deficiencies, as well as to improve the monitoring of the results of these measures. IFIAR's GAQ Working Group and the Global Public Policy Committee (GPPC) networks have agreed to an initiative

aimed to reduce the frequency of inspection findings. The GPPC networks seek to improve audit performance, reflected in a decrease of at least 25% on an aggregate basis across the GPPC networks over a period of four years, in the percentage of their inspected listed PIE audits that have at least one significant finding. Measurement of the targeted reduction at the end of four years will use as a baseline the 2015 Survey results of 39% reported by the nine GAQ Working Group members. IFIAR will consider how to best coordinate national and global efforts to achieve these goals, and will consider what generic information it can publish either through IFIAR's annual Inspection Findings Survey Report or by means of a thought paper on the causal factors identified, the measures taken and the results from monitoring by IFIAR.

Input on audit standard setting and standard setting governance

IFIAR currently contributes to the standard setting projects of the International Auditing and Assurance Standards Board (IAASB) and International Ethics Standards Board for Accountants (IESBA) by providing comment letters on proposed standards, with a strong focus on whether the proposed standard establishes clear requirements, is enforceable, and is in the public interest. In accordance with IFIAR's Communications Policy, IFIAR has delivered such comment letters in the past two years.

IFIAR will continue to prepare such comment letters in the coming period thereby aiming to improve the effectiveness of its input into the IAASB and IESBA by having more frequent discussions with them. This will include, where possible, providing input on commonly found audit quality observations from its Members (for instance based on their inspections) early in the standard setting process. These activities will continue to be carried out by the Standards Coordination Working Group (SCWG), possibly in cooperation with other Working Groups where circumstances warrant.

While IFIAR puts an emphasis on root-cause analysis, where issues on standard implementation rather than standards themselves are chief concern, the analysis could provide a practical implication as to how the relevant standards could evolve to be better implemented. From those practical points of view, IFIAR will provide standard setting boards with further detailed input on how standards could continue to drive consistency in auditor behavior and contribute to auditor quality, based on IFIAR's annual inspection survey report and through the SCWG.

IFIAR will also continue its participation in the Monitoring Group, which monitors public oversight of the standard setting boards, including the IAASB and IESBA. Through the Monitoring Group, IFIAR will monitor and provide input into the project to strengthen the model for setting international auditing and ethical standards.

IFIAR will continue to monitor key developments in the audit industry in order to assess the current landscape and inform IFIAR Members, standard setting bodies and the public in their thinking about these issues. In addition, IFIAR will continue to study the impacts of changes within the audit profession and data analytics/big data developments, and will reflect those to the standard setting boards as deemed appropriate.

Inspection Findings Survey

IFIAR's Inspection Findings Survey is an existing activity that will be continued in the coming year. IFIAR publishes its Inspection Findings Survey Report annually and will continue its efforts to secure and expand stakeholders' awareness of this survey. In addition, IFIAR will assess whether it is possible to include in the published survey reports more information on trends in inspection findings over time, or to present the results in a way that improves information on recurring inspection issues. Through its survey, IFIAR will continue to report on the most common findings resulting from the inspections of the audits of systemically important financial institutions as requested by the Financial Stability Board.

Publication of thought papers

The publication of thought papers is a relatively new activity for IFIAR. A paper on "Audit Committees" will be published concurrent with the 2017 Plenary Meeting. Drawing on information gained through the Investor and Other Stakeholders Working Group (IOSWG) activities, IFIAR will consider more publications and communications of its collective observations about audit matters.

For example, auditor mobility could comprise a topic for consideration. With a number of jurisdictions implementing audit partner and audit firm rotation rules, the need to transfer audit staff between jurisdictions in order to match audit skills required has been a significant issue. The GAQ WG and the International Cooperation Working Group (ICWG) will examine the issue of mobility of audit professionals in 2017, which could serve to inform a thought paper on this subject.

IFIAR will consider the usefulness of publications on these (or other) topics to its Members and for stakeholders in audit quality. The objective is to obtain a better understanding of matters that could have an impact on audit quality and to facilitate discussions thereon. IFIAR will aim to publish at least one thought paper in the planning period.

Group Audits

Over the year, IFIAR intends to continue to address group audit considerations. The purpose for past coordinated multijurisdictional inspections was to enhance the understanding of the practical aspects for regulatory cooperation in the context of a group audit, including legal and operational considerations. A second purpose is to understand better how a group audit is carried out in practice by the global networks and to establish whether the current methods used by the global networks to conduct group audits give rise to specific risks for audit quality.

2.2 IFIAR's governance structure and operations

Effective governance combined with a Permanent Secretariat will enhance IFIAR's ability to take on new work as the organization grows in size, diversity and ambition. For that reason, various proposals related to IFIAR's governance structure, the creation of a Permanent Secretariat, and IFIAR operations

were discussed at the 2015 Plenary Meeting and laid the foundation for decisions taken at the 2016 Plenary Meeting inclusive of:

- Revision of IFIAR's governance structure, including the creation of a Permanent Secretariat
- Improvements to IFIAR's confidentiality procedures
- Continuation of the facilitating role of Officers and others in the organization's work

IFIAR's governance structure, including the creation of a Permanent Secretariat

A Permanent Secretariat has been established in Tokyo and will open concurrent with the Plenary Meeting in April 2017. An Executive Director has been recruited and will be in place at that time, and a small professional staff will be recruited in 2017-2018. The most prominent activities of the new Permanent Secretariat are the organization of Plenary and Board meetings (including the drafting and preparation of most papers). The Secretariat will provide IFIAR with the capabilities to move the organization forward in the years to come.

Concurrently, a new Board is being installed at the Plenary Meeting comprised of up to 16 Member representatives which will serve to transition IFIAR from an Officer-led to a Board-led organization. The Board will be charged with the full range of governance duties associated with oversight of the Permanent Secretariat and advancement of IFIAR's strategic agenda.

One of the new Board's highest priorities will be development and implementation of a Strategic Plan for IFIAR for the next three to five years. Other priorities include implementing a Board committee structure and a Board agenda for 2017-2018; devising and implementing a comprehensive set of policies for IFIAR and the Permanent Secretariat; establishing a working relationship with the IFIAR Working Groups to achieve our strategic objectives; and recruiting the requisite staff complement by 2018-2019.

IFIAR's confidentiality procedures

While IFIAR aims to be an organization that is as transparent as possible, due respect must be given to the confidentiality of certain information distributed within IFIAR. As such, several proposed changes to IFIAR's confidentiality policy were introduced in 2016 and Charter changes will come in effect after the 2017 Plenary meeting to ensure that adequate safeguards are in place to protect the confidentiality of certain documents provided to the organization by individual Members or provided to IFIAR Members. It is particularly important that such documents are not provided or forwarded to members of the audit profession who also are involved in the operations and/or governance of individual IFIAR Members, while at the same time allowing for some flexibility with regard to the use of different types of information that is contained in these documents. The Officers have monitored the continued compliance with these provisions, for example through the updated Member Profiles. This monitoring activity will now be assumed by the new Permanent Secretariat.

2.3 Strengthening IFIAR's role as the international leader on audit matters

In the past few years, IFIAR has become a leading voice on audit matters internationally. This leading role should be strengthened, which is IFIAR's third key objective. The following activities will be undertaken to support this objective:

- Continued discussions with investors and other stakeholders
- Continued cooperation on audit related matters with other international organizations
- Increasing IFIAR's public profile
- Outreach

Continued discussions with Investors and Other Stakeholders

IFIAR has been pursuing a strategic intent to deepen discussions with investors and other stakeholders, including audit committees. In 2016, the IOSWG established an investor advisory group seeking input from them to assist IFIAR in developing thought papers. The IOSWG Thought Leadership Paper on Audit Committees will be published after the 2017 Plenary Meeting. IFIAR will also continue its dialogue with audit committees, in order to make them even more aware of IFIAR and the importance IFIAR attaches to their role and responsibilities in ensuring independent, reliable, and informative auditing of financial reporting by public interest entities. IFIAR will invite the Advisory Group to its Plenary Meetings and will publish on its website, to the extent possible, the highlights of discussions held with them. IFIAR will also consider how to respond effectively on the outcome of these discussions. Most of this work will continue to be carried out by IFIAR's IOSWG.

Continued cooperation on audit related matters with other international organizations

IFIAR values its interaction and cooperation on audit-related matters with other international organizations. IFIAR's role in the Monitoring Group was already mentioned. In addition, IFIAR will continue to engage actively with the Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO). IFIAR will continue to invite representatives from these organizations to IFIAR's annual Plenary Meetings and respond positively to invitations to attend meetings of these organizations dealing with audit-related matters. The Officers will also meet at least twice a year with the CEOs of the Big Six Firms to discuss audit quality initiatives at their firms as well as audit industry developments.

Increasing IFIAR's public profile

IFIAR endeavors to have an ever-greater profile with key stakeholders, and indeed with a wider audience, to enable us to better influence audit quality and demonstrate the relevance of audit regulation and international coordination for the protection of capital markets. This will include sharing information about various IFIAR reports and surveys, such as the Inspection Findings Survey, the Enforcement Survey and the Thematic Review, and the proposed publication of thought papers. While

some of these documents are primarily aimed at informing and assisting IFIAR's own Members, IFIAR's aim in the future is to publish or otherwise make available to the key stakeholders such as audit committees these reports and surveys to the extent useful and informative. Another way to enhance IFIAR's visibility and profile is by maintaining an informative and up-to-date website and to take steps to encourage parties interested in audit matters to access the website on a regular basis. IFIAR's website will be updated in the planning period.

Outreach

Through its various outreach activities, IFIAR makes itself more inclusive as an international organization, and promotes the development of independent audit inspection programs around the world, as a means to improve audit quality globally and also to project IFIAR's image as an international leader on audit oversight matters. IFIAR currently has an active program of outreach to those jurisdictions with a newly established, or no independent audit regulator, and will continue with this program. The program's activities include organizing Regional Outreach Events in collaboration with the World Bank in its own audit oversight-related activities. IFIAR also will continue to play a facilitating role in the provision of technical assistance by individual IFIAR Members to non-members that currently lack an independent audit regulator and/or adequate audit oversight system.

2.4 Facilitating learning and cooperation among IFIAR Members

IFIAR's Members can benefit greatly from learning from, and cooperating with, other Members on a variety of audit oversight-related matters, but particularly with respect to inspections and enforcement matters. Indeed, since IFIAR's inception, a primary focus of the organization has been to improve the effectiveness of audit inspections by its Members through the conduct of an annual Inspections Workshop. In order to continue to facilitate learning and cooperation between and among IFIAR Members in the coming year, emphasis will be put on the following activities:

- Continued implementation of the IFIAR Multilateral Memorandum of Understanding (MMoU)
- Annual Inspection Workshop
- Enforcement Workshop and Enforcement Survey

IFIAR MMoU

The aim of the MMoU is to facilitate the exchange of confidential information between IFIAR Members and thus to enable them to cooperate more closely in the area of public oversight of auditors, including Inspections, Investigations, Enforcement, and/or Registration. After agreement was reached on the text of the MMoU, the accompanying explanatory note, and the assessment process, IFIAR took the necessary steps to open the MMoU for signature and to implement the assessment process, which is intended to verify whether IFIAR Members wishing to sign the MMoU are in a position to comply with its provisions. The drafting of the MMoU, the explanatory note and design of the assessment procedure have been the responsibility of the International Cooperation Working Group (ICWG) in consultation

with the Enforcement Working Group (EWG) and the Advisory Council. The greatest workload in relation to the conclusion and implementation of the MMoU occurred in the period April 2015 - April 2017 with the initial signatories and initiation of implementation of the MMoU. Since then a large number of signatories have been assessed. The formal signing of the first MMoU signatories will take place at the 2017 Plenary Meeting. The ICWG will continue to assess IFIAR Member applications for the MMoU in the next year.

The Annual Inspection Workshop

IFIAR will continue holding its very successful Inspection Workshops, organized by the Inspection Workshop Working Group (IWWG) in cooperation with the IFIAR Member hosting the event. These workshops focus on relevant current economic topics, their impact on audit and, of course, current trends and issues in inspections and audit quality. The sessions focusing on inspections of the member firms of the six largest global networks will continue to be a core part of the program, as well as breakout sessions amongst the regulators themselves in which specific topics can be addressed more in depth.

Enforcement Workshop and Enforcement Survey

The Enforcement Workshop and Enforcement Survey are intended to share information and knowledge about the enforcement programs and practices of individual IFIAR Members and thus to create a common knowledge base which Members may use in their own enforcement activities. This knowledge base can also serve as a basis for increased cooperation between Members when the enforcement matter at hand crosses various jurisdictions. These activities are carried out by the EWG in cooperation with other Working Groups where appropriate. Since its initial enforcement survey, IFIAR has used the information it has collected to analyze the similarities and differences in programs and practices between IFIAR Members and inform future Enforcement Workshops. An Enforcement Workshop will be held immediately after the 2017 Plenary Meeting



3 Table 'Key Objectives and Priorities'

Key Objective	Planned Activities	Output	Lead	Status
Improving audit quality globally	Discussions of audit quality issues with the six largest networks globally	Actions taken by the six largest global networks	GAQ WG	Discussions with global audit leadership on monitoring root-cause analysis and action plans throughout the network Will report progress October 2017 and 2019
		Root causes and remedial measures by the firms	GAQ WG	
		Discussions on trends that impact audit quality, such as data analytics 25% reduction in significant findings	GAQ WG	Interim progress report to be included in the Inspection Findings Survey Report to be issued early 2018
	Influencing audit standard setting and standard setting governance	Regular meetings with standard setters and early input into standard setting process	SCWG	Letter expected to be sent to IAASB on recurring findings Four letters issued since 2015 Interim Meeting: <ul style="list-style-type: none"> • IAASB NOCLAR Nov. 2015 • IESBA Safeguards May 2016 • IAASB Invitation to Comment June 2016 • IAASB Work Plan Oct. 2016

		Comment letters	SCWG / Other relevant WGs	
		Participation and cooperation with relevant organizations (Monitoring Group, IOSCO)	Officers / SCWG	
		Monitoring developments in audit industry	GAQ WG / IOSWG	
	Inspection Findings Survey	Annual Inspection Findings Survey Report	Officers / Inspection Findings Survey Task Force	
	Thought Papers	Publication of at least one thought paper	GAQ WG	
	Discuss group audit issues	Working Group discussion	GAQ WG	
Updating IFIAR's governance structure and operations	Establishment of a Permanent Secretariat	Executive Director in place Two additional staff hired	Officers Board Chair, Selection Committee, Executive Director	Executive Director starting April 1, 2017 Positions of Senior Policy Officer and Officer posted and applications being submitted
	Inaugural Board in place	Strategic Plan developed for presentation at 2018 Plenary meeting First annual Operating Plan, budget, reporting mechanism Priority policies devised and implemented	Officers/Executive Director Officers /Executive Director Officers /Executive Director	Preliminary high level Strategic Plan Overview, 2017-2018 Work Plan, priority policies in development, for presentation at the 2017 Plenary Meeting Inaugural Board to be approved at 2017 Plenary Meeting and first Board meeting to be held April 7, 2017.



	Facilitation of the organization's work	Plenary Meetings	Officers	April 7, 2017 Board meeting planned High level 2017 Board agenda being developed
		Board Meetings	Officers /Executive Director / hosting IFIAR Member	
		Working Group Chairs' Calls	Officers /Executive Director/WG Chairs	Ongoing
		Publication of Member Profiles	Officers /Executive Director	Target completion date mid-March 2017
		Consideration of new Members' applications as well as outreach	Secretariat	Ongoing
Strengthening IFIAR's role as the international leader on audit matters	Continued discussions with investors and other stakeholders	Input on topics for thought papers	IOSWG	
		Investors and other stakeholders invited to Plenary Meetings, IOSWG Committee	IOSWG / Officers	
	Continued cooperation on audit related matters with other international organizations	Attendance of representatives from international organizations at IFIAR's annual Plenary Meetings and vice versa	Officers	
		Interaction at FSB meetings	Officers / GAQ WG Chair/Vice Chair / audit banking experts	
		Member of the Monitoring Group	Officers / SCWG Chair	
		Engaging with IOSCO and its Audit Quality Task Force	Officers	



	Increasing IFIAR's public profile	Publication of IFIAR annual reports, surveys and thought papers	Officers/relevant WGs / Members	Annual Report to be published for the Plenary Meeting April 2017
		Update the website	Officers / Secretariat	
	Outreach	Organization of at least one Outreach Event	Outreach Team	
		Collaboration with World Bank	Outreach Team / Officers	
	Coordinating role in facilitating technical assistance to non-IFIAR Members	Outreach Team / Officers		
Facilitating learning and cooperation among Members	Conclusion and implementation of the IFIAR MMoU	Multilateral Memorandum of Understanding signing	ICWG / EWG	22 signatories planned for the Plenary Meeting April 2017
		Assessment of signatories to the MMoU	ICWG / Officers	Ongoing
	Annual Inspection Workshop	Organization of Annual Inspections Workshop	IWWG / hosting IFIAR Member	Held February 8-10, 2017 in Athens, Greece
	Enforcement Workshop and Enforcement Survey	Publication of Enforcement Survey Report	EWG	
		Organization of regular Enforcement Workshops	EWG	Workshop to be held immediately after conclusion of Plenary Meeting April 2017
		Common themes resulting from Survey and Workshop identified for follow-up	EWG	
	Discussion of areas of interest in inspections	Consideration of specific themes to be taken into account in IFIAR discussions	Officers	



Legend

EWG - Enforcement Working Group
GAQ WG - Global Audit Quality (GAQ) Working Group
IAASB – International Auditing and Assurance Standards Board
ICWG - International Cooperation Working Group
IESBA – International Ethics Standards Board for Accountants
IOSCO – International Organization of Securities Commissions
IOSWG - Investor and Other Stakeholders Working Group
IWWG - Inspection Workshop Working Group
SCWG - Standards Coordination Working Group
Officers - Chair, Vice-Chair and Secretariat
Ongoing - continuous or repeating activity
PIE – Public Interest Entity
N/A - not applicable