International Forum of Independent Audit Regulators

PRESS RELEASE

On 16-18 April 2012, 32 independent audit regulators participated in the eleventh meeting of the International Forum of Independent Audit Regulators ("IFIAR").

Meeting highlights

- IFIAR Members shared findings of recent audit inspections and discussed recent audit policy developments
- IFIAR exchanged views with investor representatives from Asia about audit quality
- IFIAR agreed to respond to a request from the Financial Stability Board to identify common findings from Members' inspections of the audits of major financial institutions
- IFIAR agreed on priorities for initiatives to improve IFIAR's internal and external communication activities

The hosts for the meeting were Korea's audit regulators (the Financial Supervisory Service, FSS, and the Financial Services Commission, FSC). Regulators from Belgium and Gibraltar became Members of IFIAR just prior to the Busan meeting, bringing the number of Members to 43.

IFIAR Members provided an update on inspection findings in their jurisdictions. Areas were identified where findings were common to a number of jurisdictions. Some IFIAR Members noted that they have asked audit firms to examine and address the root causes of audit deficiencies found in inspections, in particular findings identified repeatedly from one year to the next. IFIAR will continue to discuss the common inspection findings with the major international audit network firms both at plenary meetings and through the IFIAR Global Public Policy Committee (GPPC[1]) working group.

Examples of frequently identified issues found during inspections include matters relating to:

- Auditors' professional scepticism;
- Group audits;
- Revenue recognition;
- Engagement quality control review;
- Testing of internal controls;
- Auditing accounting estimates;
- The linkage of audit quality to partner remuneration;
- Auditor independence;
- The use of auditors' experts; and
- Applying clarified ISAs.

[1] The GPPC comprises the six largest international audit networks.

IFIAR exchanged views with David Gerald of the Securities Investors Association Singapore and Sharmila Gopinath of the Asian Corporate Governance Association on topics including:

- How the establishment of independent auditor oversight in more jurisdictions in Asia can boost investor confidence;
- Collaboration among independent authorities in Asia to improve oversight of audit firms;
- The importance of raising investors' awareness and understanding of audit quality to increase their ability to influence audit quality and financial reporting generally; and
- The significance of transparency in improving investor confidence in audit and how the growth of independent auditor oversight has contributed to it.
- The importance of high quality auditing standards which are consistent throughout the region.

IFIAR Members discussed audit policy developments including: issues relating to the auditor's reporting model; enhancing auditor independence; joint audit; objectivity and professional scepticism; and improving audit transparency. Some Members gave updates on recent regulatory and legislative developments in their jurisdictions.

Members were updated on the successful inspection workshop hosted by the Abu Dhabi Accountability Authority in March 2012. Approximately 130 participants from 33 jurisdictions held in-depth discussions at this annual event about issues and challenges in inspections and shared experiences and findings. The next IFIAR Inspection Workshop will be in Zurich in March 2013 at the invitation of the Swiss Federal Audit Oversigth Authority.

IFIAR Members agreed on priorities for initiatives to improve IFIAR's internal and external communication activities. These initiatives include improving internal communication to ensure that the move to one plenary meeting each year does not restrict progress. Another initiative is to increase external communication, for example, through the compilation of Members' inspection activities and findings.

IFIAR agreed a plan to respond to a request for assistance from the Financial Stability Board in relation to identifying common findings from Members' inspections of the audits of major financial institutions.

The chairs of IFIAR's working groups[2] reported to the meeting on recent activities and plans for future work.

IFIAR will hold its next plenary meeting in London, UK on 1-3 October 2012 at the invitation of the Financial Reporting Council.

[2] IFIAR working groups comprise the GPPC, Investor, Standards Coordination, International Cooperation and Inspection Workshop working groups

Further details

For further information about this press release, please contact either:

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• The IFIAR Vice-Chairman – Lewis Ferguson, Board Member of the US Public Company Accounting Oversight Board, on +1 202 207 9252 or by e-mail to (internationalaffairs@pcaobus.org)

Notes to editors

1. Details of the membership of IFIAR can be found on the IFIAR website (www.ifiar.org).
2. The meeting was chaired by Paul George, Chairman of IFIAR and Director of Auditing and the Professional Oversight Board at the UK's Financial Reporting Council, and Lewis Ferguson, Vice-Chair of IFIAR and Board Member of the US Public Company Accounting Oversight Board.
3. Representatives of the European Commission, the Financial Stability Board, the International Association of Insurance Supervisors, the International Organization of Securities Commissions and the Public Interest Oversight Board participated as Observers and presented their work relevant to audit. Members also received a written report from the Basel Committee on Banking Supervision on its work relevant to audit.