

INTERNATIONAL FORUM OF INDEPENDENT AUDIT REGULATORS CHARTER

The Members of the International Forum of Independent Audit Regulators (as listed in Appendix 1):

Sharing the common goal of serving the public interest and enhancing investor protection by improving audit quality globally, including through independent inspections of auditors and/or audit firms;

Considering their individual and distinctive mandates and missions relating to the oversight of the audit profession;

Recognizing the existence of country-specific restrictions, legal and otherwise, that may limit permissible activities;

Concluding that benefits can be derived from certain activities that are undertaken cooperatively and collectively through an international forum;

Believing that the appropriate role for an international forum is to serve the common interests of its Members;

Resolve that the following provisions shall govern the activities and organizational arrangements of IFIAR:

PART 1: ACTIVITIES OF IFIAR¹

Section 1 – 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.

- 1.1 IFIAR's primary purpose is to enable independent audit regulators to share among each other their knowledge and experiences, with a focus on inspections of auditors and audit firms.
- 1.2 Knowledge and experience may be shared among Members on a range of issues, such as frameworks for audit regulation, the environment for such regulation, and regulatory practice.

¹ For Additional details on the activities of IFIAR, refer to Appendix 2

Section 2 – Promoting collaboration and consistency in regulatory activity

- 2.1 Significant benefits may be derived by Members from practical cooperation and the exchange of specific information between audit regulators, and from the formation of common and consistent views or positions on matters of importance within IFIAR's competence and from the viewpoint of the common interest of Members. The basis on which this is taken forward must fully respect and reflect the remits of national audit regulators and legal constraints. IFIAR will not be involved in the negotiations of bilateral agreements.
- 2.2. Any common views or positions adopted by IFIAR shall not be binding on its Members.

Section 3 – Providing a platform for dialogue with other organizations that have an interest in audit quality

- 3.1 IFIAR seeks to provide an efficient and effective means of dialogue between IFIAR Members and other organizations with an interest in the quality of auditing.
- 3.2 Care should be taken to engage in activities that complement rather than duplicate the work of other international organizations.

PART 2: ORGANIZATIONAL ARRANGEMENTS

Section 4 – Membership of IFIAR

- 4.1 Membership shall be confined to regulatory agencies that are:
 - Independent of the profession², which means, for the purpose of membership evaluation:
 - A majority of the relevant governing body should be non-practitioners (with an appropriate cooling off period for former auditors); and
 - Funding should be free of undue influence by the profession.
 - Engaged in audit regulatory functions in the public interest, and, in particular:
 - Responsible for the system of recurring inspection of audit firms undertaking audits of public interest entities; and
 - Exercise that responsibility either directly or through oversight of inspection undertaken by professional bodies.
- 4.2. The Chairperson and Vice-Chairperson will review applications for membership, and, in consultation with the Advisory Council, make recommendations for the

² Profession includes, for example, audit firms, professional bodies and bodies or entities associated with the profession.

approval of new Members. If the Officers and Advisory Council agree that a membership application meets the relevant membership criteria and presents no issues or concerns, the Officers may recommend the approval of the application and ask Members to vote in writing between plenary meetings. If the Officers and/or the Advisory Council believe that the application raises issues or concerns but nevertheless would like to propose to the membership that the application be approved, the Officers shall schedule a membership discussion and vote on the respective application at the next plenary meeting.

- 4.3. IFIAR recognizes the value of exchanging ideas and information with organizations that have demonstrated an interest in the integrity of the financial reporting system and the quality of audits through their activities or mandate. Accordingly, if approved by the IFIAR membership in accordance with section 5, IFIAR will extend invitations of observership to such organizations.
- 4.4. It is presumed that observers will be invited to attend all plenary IFIAR meetings, recognizing that a portion of the meetings may be closed for discussion by the Members of confidential supervisory matters or sensitive internal issues.
 - Unless otherwise decided by the membership, determinations as to whether to limit plenary meetings or portions thereof to Members only and/or certain observers shall be made by the Officers, in consultation with the Advisory Council, taking into account whether the agenda items for the respective meeting will include discussion of confidential supervisory matters or sensitive internal issues.
 - If, after consultation with the Advisory Council, the Officers believe that the question of whether to limit plenary meetings or portions thereof to Members only and/or certain observers should be put to the membership or if so requested by a Member, and a decision by the membership at a plenary meeting is not practical, the Officers shall ask the membership to vote on the question of observer attendance between plenary meetings but in advance of the meeting in question.
 - In addition, the membership may decide during an on-going meeting at which observers are present to close portions of that meeting to one or more observers due to sensitivities.
 - The decision to limit plenary meetings or portions thereof to Members only and/or certain observers shall be based on a high degree of consensus, meaning that there is no strong objection by Members.

Section 5 – Decision making arrangements

IFIAR will make decisions on the following basis:

- Except as provided in Sections 4.2, 4.4 and 6.7, IFIAR decisions shall be made during plenary meetings;
- Quorum for all decisions shall be 2/3 of all Members;

- The election of Officers, as set forth in section 6, shall require a simple majority of all Members present;
- The election of members of the Advisory Council, as set forth in section 7, shall require a plurality;
- Administrative and organizational arrangements shall require a high degree of consensus of all Members present at the meeting, meaning that there is no strong objection by Members present at the meeting. Such matters include, for example:
 - The decision to accept new members or observers;
 - The decision on whether to invite observer(s) to attend meetings or portions thereof;
 - The approval of the Officers' Work Plan for their term of office including the prioritization of work programs;
 - The decision to create working groups or committees;
 - The approval of terms of reference for agreed upon working groups or committees (such terms of reference should include the objectives of the group or committee, duration and potential work product);
 - The decision regarding the frequency of meetings or workshops
 - The approval of IFIAR's annual budget as set forth in section 9
- The decision to take a common view or position, as set forth in section 2.1, or to communicate any common views or positions to the public or other organizations, or for IFIAR to formally join any other organization as a Member or observer, shall require a unanimous vote by Members present at a meeting. An abstention from a vote by any Member present at such meeting will be duly noted in the document in which the common view or position is recorded if requested by such Member.

Section 6 – Officers

- 6.1 IFIAR shall have two Officers, a Chairperson and a Vice-Chairperson.
- 6.2 Only individuals, not IFIAR Member organizations, shall serve as Officers. In order to serve as an Officer, the individual must be an approved representative of an IFIAR Member organization.
- 6.3 Although not a requirement, Members should give consideration to geographic balance in the election of Officers.
- 6.4 The Chairperson shall be responsible for the following, with assistance from the Vice-Chairperson as the Chairperson and Vice-Chairperson deem appropriate:
 - Organizing and conducting plenary meetings. This shall include:

- Managing the logistical arrangements, in conjunction with the host country, for FIAR meetings and workshops;
 - In consultation with the Advisory Council and Members, setting out the agenda for these meetings.
- Chairing the meetings, including proposing relevant questions for membership votes.
 - Managing communications and relationships, including communications with IFIAR Members and outside organizations as follows:
 - External communications by Officers without specific membership approval may include information about IFIAR's activities generally and the personal views of the Officers, identified as such.
 - Officers may represent IFIAR informally without specific approval of the membership but may cause IFIAR to formally join as members or observers in any other organization only with approval of the membership as set forth in Section 5.
 - Officers shall communicate common IFIAR views or positions only with approval of the membership pursuant to Section 5.
 - Developing a Work Plan for the Officers' term of office, to be presented to the membership for approval, including identifying:
 - Appropriate work programs and working groups³ or committees, if any;
 - Potential common views or positions; and
 - Appropriate relationships and communications with outside organizations.
 - Providing thought leadership on issues relevant to IFIAR, including
 - the identification of issues that might affect the future financial reporting of public interest entities; and
 - the appropriate role of working groups and committees.
 - Monitoring the development of potential members of IFIAR and proposing potential members to the membership for approval.
 - Managing and administrating activities related to the IFIAR Verein.
 - Present after the end of each financial year a report on the actual activities and costs of the organizational and administrative resources provided by the Officers.
- 6.5 The Officers shall consult regularly with the Advisory Council. While the Officers may request assistance from the Advisory Council in carrying out any of their responsibilities, the Officers must consult with the Advisory Council on the following

³ A proposal for creation of a working Group or committee must include specific terms of reference (meaning the objectives of the Group or committee, the duration and the expected work/ products).

matters:

- Agenda setting for IFIAR meetings;
- Prioritization of work programs;
- Development of a Work Plan for the Officers' term of office as described in Section 6.4;
- Membership, observers and other types of non-member participation;
- Dialogue with other organizations;
- Policy and strategy on public relations;
- The proposed budget for the organizational and administrative resources as described in section 9.3;
- The report on organizational and administrative resources as described in section 9.10;
- Thought leadership on issues relevant to IFIAR, including
 - the identification of issues that might affect the future financial reporting of public interest entities; and
 - the appropriate role of working groups and committees;
- Other important organizational and management issues and/or activities.

6.6 The term for each Officer shall be two years.

- Officers may not serve consecutive terms in the same position but may be re-elected after a cooling-off period of four years.
- In the event of a vacancy in the position of the Chairperson, the Vice Chairperson shall become Chairperson and serve as such until the next plenary meeting, at which time an election will be held to fill the position for the remainder of the term (if any).
- In the event of a vacancy in the position of the Vice-Chairperson, the position shall remain vacant until the next plenary meeting, at which time an election will be held to fill the position for the remainder of the term (if any).
- If an individual fills the remainder of an existing term (of either Chairperson or Vice Chairperson), and the remaining term is less than one year, the person may be elected for a full two-year term in the same position at the next regular election despite the term limits above.

6.7 Officers shall be elected as follows:

- The Chairperson should seek nominations for the positions of Chairperson or Vice-Chairperson.
- If the Chairperson will seek re-election because the individual completed the

remaining term of a prior Chairperson that was shorter than one year, or if the Chairperson is from the same Member organization as a candidate for Chairperson or Vice Chairperson, the Chairperson shall delegate the responsibility for seeking nominations to a Member designated by the Advisory Council. Neither the designated person, nor any other individual from that Member organization, may seek office during the respective election.

- Nominations should be gathered before the plenary meeting during which the election is scheduled.
- Nominations may include self-nominations.
- A nomination other than a self-nomination must be accompanied by a statement by the sponsor that the nominee is willing to stand for election.
- If multiple candidates are nominated for any position, the election for that position shall take place at the plenary meeting, and the election shall be by secret ballot, to be repeated until one nominee is elected by a simple majority of the membership.
- If only one candidate is nominated for either position, the election for that position may be conducted in writing before the next plenary meeting. The Chairperson (or Member designated by the Advisory Council as set forth above) shall collect and count votes and report results to the membership.

Section 7 – Advisory Council

- 7.1 IFIAR shall establish an Advisory Council to assist and advise the Officers in their duties.
- 7.2 The objective of the Advisory Council is to assist and advise the Chairperson and Vice Chairperson in pursuing the responsibilities of IFIAR such as preparing for IFIAR meetings and formulating proposals on issues important to the entire forum.
- 7.3 The Advisory Council is not a body responsible for making decisions. Decisions on important issues continue to rest on IFIAR in its entirety (see section 5.1).
- 7.4 The Advisory Council should consist of up to seven IFIAR Members. The number of Members should be decided by the membership at a plenary meeting having regard for the need for assistance by the Officers. The composition of the Council should generally reflect geographic balance and the diversity in experience and regulatory approaches of the IFIAR membership. Officers and members of the Advisory Council shall not be from the same jurisdictions. If an individual from an organization on the Advisory Council is elected as an officer, that organization must resign its position on the Advisory Council.
- 7.5 Participation in the Advisory Council is formally accorded to organizations not individuals, so that the organization can choose its representative for meetings of

the Advisory Council.

- 7.6 Terms for members of the Advisory Council shall be four years (except for the initial election, which shall establish two-year terms for two or three Advisory Council members, depending on the size of the initial Advisory Council, in order to stagger terms). Members may not be elected to consecutive terms but shall be eligible for re-election after a cooling-off period of two years.
- 7.7 Council members should be elected at the plenary IFIAR meeting at the end of a Council member's term. In case of a vacancy before the end of a regular term, and the remaining term is longer than one year, an election shall be held to fill the position for the remaining term at the next plenary meeting. Otherwise, the vacant position shall remain vacant until the term has expired and new elections are held.
- 7.8 The Chairman should accept nominations (including self-nominations) for open positions on the Advisory Council before the plenary meeting during which an election is scheduled. In seeking nominations, the Chairman should encourage candidates to stand for election from various geographic areas and types of oversight systems so that the Council may generally reflect geographic balance and the diversity in experience and regulatory approaches of the IFIAR membership. In order to maximize the effectiveness of the Council, Member organizations should strive for continuity in the individual(s) representing them at Council meetings and ensure that the designated individual(s) have sufficient knowledge and authority to represent their Member organization's views.
- 7.9 Election of members of the Advisory Council shall be based on plurality, meaning that the candidates who receive the most votes shall fill the open positions. Each IFIAR Member may cast one vote for each open position on the Council. Voting for the Advisory Council shall be by secret ballot, except if there are the same number (or fewer) candidates as open positions, in which case voting may be by a show of hands.
- 7.10 At a minimum, the Council shall convene before each plenary IFIAR meeting and may meet more often (in person or by other means) if agreed by Council members.
- 7.11 The Officers shall coordinate the meetings of the Advisory Council in accordance with Sections 6.5 and 7.10.

Section 8 – Transparency and Accountability

8.1 IFIAR should operate with a high degree of transparency and should engage in the following activities:

- Issue periodic public reports as appropriate based on the decision of the membership.
- Issue press releases about its activities, including its plenary meetings and work programs.
- Maintain a website including at minimum the following information:
 - o IFIAR's Charter;
 - o List of Member organizations;
 - o Dates and locations of meetings;
 - o Agendas and summaries of proceedings and meetings (except to the extent confidential);
 - o Information about IFIAR's work program and activities;
 - o Common views or positions when adopted in accordance with sections 2 and 5; and
 - o Press releases.

Section 9 – Resources and funding

9.1 IFIAR's activities will be undertaken on a collaborative basis, with Members and Office bearers meeting their own expenses, with the exception that the Members will contribute to the funding of the organizational and administrative resources necessary for IFIAR's ongoing operations.

9.2 IFIAR shall have a financial year beginning on 1 January.

9.3 The Officers shall present to the Members at a plenary meeting before the start of each financial year a proposed budget. The budget shall set out the proposed activities and costs of the organizational and administrative resources to be provided by the Officers. The costs shall exclude costs of the Officers' travel and accommodation and the time spent by the Officers on IFIAR matters.

9.4 After discussion amongst the Members and, if necessary, amendments to the Officers' proposals the Members will approve the budget.

9.5 Taking into account the approved budget, the Members will agree upon annual fees to be paid by all Members in the following year, except those to whom a waiver has been granted in accordance with section 9.7.

9.6 The annual fees shall be set at an amount which is intended to meet the budgeted

costs of the organizational and administrative resources plus or minus any change in the level of reserves retained in the legal entity established in accordance with section 9.9. If exceptionally, the agreed fees are insufficient to meet the costs, the Officers may choose to meet the shortfall or curtail their activities to those supported by available funds.

- 9.7 The Members may agree that some Members who have exceptional and temporary difficulties in paying the annual fee may have part of the fee waived. The amount of the reduced fee will be decided on a case by case basis by the membership. A Member may not receive a waiver for more than two consecutive financial years. Requests for waivers have to be submitted in writing to the Chairman at least three months prior to the plenary meeting at which the budget is to be discussed.
- 9.8 Failure by a Member to pay the fee due will be reported to the next plenary meeting and will lead to termination of Membership unless the other Members decide to allow the Member to retain its Membership.
- 9.9 The Members agree to establish a legal person (a Verein) under the Swiss Civil Code for the sole purpose of facilitating the collection and disbursement of Membership fees and the payment of the cost of the organizational and administrative resources.
- 9.10 The Officers shall present to the Members at a plenary meeting after the end of each financial year a report on the actual activities and costs of the organizational and administrative resources provided by the Officers.
- 9.11 If necessary, Members hosting meetings or workshops may ask Members to help defray the costs of such events.
- 9.12 Officers may request that members of the Advisory Council or other Members share in the Officers' workload by providing in-kind contributions, including administrative or other support.

Review of Charter

This Charter shall continue until a change is proposed by a Member(s) at a plenary meeting and ratified by the membership at a subsequent plenary meeting.

Appendix 2 to Charter Part 1: Activities of IFIAR

*This Appendix elaborates upon certain provisions within Part 1 of the Charter

Section 1: Sharing knowledge of the audit market environment and practical experience of independent audit regulatory activity with a focus on inspection of auditors and audit firms

Knowledge and experience may be shared among Members on a range of issues, such as:

Framework for Audit Regulation

Overall institutional framework for audit regulation;
Legal framework;
Accountability and transparency;
Funding;
Recruitment practices.

Environment for Audit Regulation

Structure of the audit profession;
Structure of the largest international audit firms, including mapping of networks;
Legal ability to share and obtain information from other regulators, both domestic and foreign;
Economic, commercial, legal and political environment;
Emerging audit risk.

Regulatory Practice

Education and qualification of auditors;
Registration and de-registration of firms and individuals;
Technical standards;
Ethical and auditor independence standards;
External inspections of auditors and audit firms and inspection methodologies, including, quality control, risk management techniques, and engagement review;
Transparency of reporting on inspections;
Investigation, recommendation and discipline;
Risk-based audit regulation.

Section 2. Promoting collaboration and consistency in regulatory activity

IFIAR may undertake some or all of the following activities:

- Provide and maintain an up-to-date list of individual contacts within each Member regulator for issues relating to collaboration and the exchange of information.
- Exchange information among Members about the conditions under which the transfer of information can lawfully take place from one jurisdiction to another, including the lawful channels for exchange and the legal protections to be given to the information exchanged.
- Encourage cross-border collaboration and exchange of information, particularly in the area of inspections of auditors and audit firms.
- Create a mechanism for identifying when it is appropriate to form a common view or position as set out in section 2.1 above.
- Facilitate discussions among Members to determine if such a common view or position may be reached with sufficient consensus.
- Document and communicate common views or positions as agreed.

Section 3: Providing a platform for dialogue with other organizations that have an interest in audit quality

IFIAR may undertake some or all of the following activities:

- Draw up an inventory of topics of interest to audit regulators under discussion in other international groups and identifying priorities.
- Devise a mechanism for monitoring those discussions.
- Seek and receive information from other international organizations and communicate to those organizations information about the work of IFIAR and the practical experience of independent audit regulators. Consideration must be given to Members' requirements regarding the confidentiality of information.
- Gather and/or exchange information relevant to IFIAR's activities including by consulting with advisors and experts and inviting individuals or organizations to attend portions of IFIAR meetings for that purpose.
- Join other organizations as member or observer as approved by Members pursuant to section 5.
- Determine whether and how to communicate common views or positions outside the organization.
- Communicate common views or positions to outside parties in ways which are collaborative, complementary and credible.