

# INTERNATIONAL FORUM OF INDEPENDENT AUDIT REGULATORS

## CHARTER

The Members of the International Forum of Independent Audit Regulators (IFIAR)<sup>1</sup>

*Aspiring* to serve as the leading international body on matters relating to audit regulation and oversight as well as a respected global authority on audit quality issues;

*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;

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

*Resolve* that this charter sets out the common goals of IFIAR and the guiding principles and rules with respect to its activities and organizational arrangements in furtherance of those goals.

### **Section 1 – Activities of IFIAR**

- 1.1 IFIAR will undertake such activities as deemed appropriate by its Members, including:
- 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;
  - Promoting collaboration and consistency in regulatory activity;
  - Initiating and leading dialogue with other policy-makers and organizations that have an interest in audit quality; and
  - Forming common and consistent views or positions on matters of importance to its Members, taking into account the legal mandates and missions of individual members.
- 1.2 Any views or positions adopted by IFIAR shall not be binding on its Members. Where Members have differing views, if required or appropriate, this should be communicated externally.

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<sup>1</sup> See [www.ifiar.org/members](http://www.ifiar.org/members).

## **Section 2 – Membership of IFIAR**

- 2.1 Membership shall be open to regulators that are both:
- a) Independent of the audit profession. The audit profession includes, for example: audit firms, professional bodies and bodies or entities associated with the audit profession. Indicators of independence from the profession include:
    - A majority of the relevant governing body are non-practitioners (with an appropriate cooling off period for former auditors); and
    - Funding of the regulator is free of undue influence by the audit profession; and
  - b) Engaged in audit regulatory functions in the public interest, and, in particular:
    - Ultimately responsible for the system of recurring inspection of audit firms undertaking audits of public interest entities; and
    - Exercising that responsibility either directly or through independent oversight.
- 2.2. Applicant regulators who meet IFIAR's membership requirements in Section 2.1 but may not be able to pay the full amount of the annual dues can apply for an associate status with IFIAR. The associate status shall not exceed two years. If the application is accepted by the membership, Associates may participate in IFIAR plenary meetings and workshops. Beyond that, Associates shall have no membership rights such as voting rights or participating in IFIAR working groups. At any time, the Associate may pay full dues, pro-rated for the remaining period of the year, and that Associate will thereafter be a Member.
- 2.3 The Chair and Vice-Chair will review applications for membership, and, in consultation with the Advisory Council, make recommendations for the 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, either at the next plenary meeting or by written procedure between plenary meetings.
- 2.4 If a member ceases to continue to meet the IFIAR membership criteria outlined in Section 2.1 this may also lead to suspension and possible termination of membership.
- 2.5 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 3, IFIAR will extend invitations of observership to such organizations.

- 2.6 It is presumed that observers will be invited to attend all plenary IFIAR meetings, recognizing that the Chair may close portions of the meetings to observers or associates for discussion by the Members of confidential supervisory matters or sensitive internal issues.
- 2.7 In consultation with the Advisory Council, the Officers may invite on an *ad hoc* basis, any organization that is not an IFIAR Member to all or part of a particular plenary meeting or to IFIAR sponsored workshops. Such invitees will be treated as observers for only that meeting or workshop to which they are invited.

### **Section 3 – Decision making arrangements**

- 3.1 IFIAR decisions shall be made by consensus<sup>2</sup> whenever possible. When it is not possible after reasonable efforts to reach a consensus, a decision may be taken by vote as set forth below:
- A. IFIAR decisions by vote shall normally be made during plenary meetings but, when needed, may be made by written procedure according to the provisions of Section 3.5 below.
  - B. A quorum for the conduct of business in plenary meetings, including decisions by vote, shall consist of two-thirds of the Members.
  - C. The election of Officers, as set forth in Section 4, shall require a simple majority of all those Members present and voting in a plenary meeting at which a quorum is present, or by written procedure in accordance with Section 4.7.
  - D. The election of members of the Advisory Council, as set forth in Section 5 shall require a plurality of all those Members present and voting at a plenary meeting at which a quorum is present, meaning that the candidates who receive the most votes shall fill the open position.
  - E. Where there is no consensus, all other decisions taken by vote shall require the consent of at least 90 percent of the: 1) Members present and voting at a plenary meeting at which a quorum is present when the vote takes place at such meeting; or 2) Members voting when the vote is done by written procedure. Such other decisions include, but are not limited to:
    - A decision to accept new members or observers;
    - Approval of the Officers' Work Plan for their term of office including the prioritization of work programs;
    - A decision to create working groups;
    - Approval of terms of reference for working groups or any changes thereto;

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<sup>2</sup> Consensus means that the Officers have determined that there is either unanimous Member support in favour of adoption of a proposal or, alternatively, that there is no objection by any Member to such adoption.

- Approval of IFIAR's annual budget as set forth in Section 7; A decision to communicate views or positions, subject to the provisions of Section 3.3 below; and
  - Approval for IFIAR to join any other organization as a Member or observer.
- 3.2 An abstention from a vote or a vote against a proposal by any Member(s) will be duly noted in the document in which views or positions are recorded, if requested by such Member(s).
- 3.3 Where IFIAR expresses a position either by consensus or pursuant to the voting provisions of 3.1.E, such position will be expressed in accordance with the Communication Policy in effect at the time the position is developed
- 3.4 If the Members have agreed to a proposal at a plenary meeting subject to the subsequent approval of the governing body of one or more of those Members, then the proposal shall be adopted as of the earlier of the date all such Members seeking such approval have provided written notice of the approval or the date occurring three months after the decision has been agreed.
- 3.5. Votes by written procedure shall be carried out at the discretion of the Officers, after consultation with the Advisory Council. Votes by written procedure shall be carried out in a manner to be prescribed by the Officers, taking into account the need to give Members a reasonable time to review the matter on which the vote is being taken. Two-thirds of the Members must participate by providing a vote prior to the stated deadline to constitute a quorum.

#### **Section 4 – Officers**

- 4.1 IFIAR shall have two Officers, a Chair and a Vice-Chair.
- 4.2 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.
- 4.3 Although not a requirement, Members should give consideration to geographic balance in the election of Officers.
- 4.4 The Officers shall be responsible for the following:
  - All routine administrative matters and decisions that pertain to the efficient operation of IFIAR;
  - Organizing and conducting plenary meetings, including setting out the agenda for the plenary meetings after consultation with the Advisory Council;
  - Managing external communications and relationships as follows:
    - Communicating, without specific membership approval, information about

- IFIAR's activities and providing their personal views, identified as such;
  - Representing IFIAR informally without specific approval of the membership;
  - Communicating common IFIAR views or positions that have been agreed to, subject to the requirement contained in Section 3.3.

- Developing a Work Plan for the Officers' term of office, to be presented to the membership for approval;
- Providing thought leadership on issues relevant to IFIAR;
- 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, as set forth in the IFIAR Verein Articles of Association; and
- Presenting 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, including an estimate of services or gifts in kind.

4.5 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 matters:

- Agenda setting for IFIAR meetings;
- Prioritization of work programs;
- Development of a Work Plan for the Officers' term of office;
- Membership, observers and other types of non-member participation;
- The proposed budget for the organizational and administrative resources as described in Section 7.3;
- The report on organizational and administrative resources as described in Section 7.8;
- Thought leadership on issues relevant to IFIAR;
- Other important organizational and management issues and/or activities, including the need to conduct a vote by written procedure.

4.6 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 Chair, the Vice-Chair shall become Chair 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-Chair, an election for that position shall be held, and the elected individual shall serve as Vice-Chair for the remainder of the term. At the discretion of the Chair, such election shall be conducted either at the next plenary meeting or by written procedure.
- If an individual fills the remainder of an existing term (of either Chair or Vice-Chair), 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.

4.7 Officers shall be elected as follows:

- The Chair should seek nominations before the plenary meeting during which the election is scheduled.
- If the Chair will seek re-election because he or she completed the remaining term of a prior Chair that was shorter than one year, or if the Chair is from the same Member organization as another candidate for Chair or Vice-Chair, the Chair 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.
- Except as provided in Section 4.6, if multiple candidates are nominated for any position, the election for that position shall take place at the plenary meeting. All elections shall be by secret ballot, to be repeated until one nominee is elected by a simple majority of the Members. At their request, candidates will be informed of the number of votes they receive.
- If only one candidate is nominated for either position, the election for that position may be conducted by written procedure before the next plenary meeting. The Chair (or Member designated by the Advisory Council as set forth above) shall collect and count votes and report results to the membership.

**Section 5 – Advisory Council**

- 5.1 IFIAR shall establish an Advisory Council to assist and advise the Officers in their duties, such as preparing for IFIAR meetings and formulating proposals, and as set forth by Section 4.5.
- 5.2 The Advisory Council shall consist of up to seven IFIAR Members. The number of members shall be decided by the membership at a plenary meeting having regard for

the need for assistance by the Officers. The composition of the Advisory 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.

- 5.3 Participation in the Advisory Council is by organizations not individuals. Organizations shall choose their representative for meetings of the Advisory Council. In order to maximize the effectiveness of the Advisory 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.
- 5.4 Terms for members of the Advisory Council shall be four years. Members may not be elected to consecutive terms but shall be eligible for re-election after a cooling-off period of two years. Where no IFIAR Member is willing to stand for a vacancy, existing Advisory Council Members may serve for a further period of two years.
- 5.5 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.
- 5.6 The Chair shall accept nominations for the Advisory Council for a term of sixty days, beginning three months before the plenary meeting during which an election is scheduled and concluding one month before the plenary meeting. In seeking nominations, the Chair should encourage candidates to stand for election from various geographic areas and types of oversight systems so that the Advisory Council may generally reflect geographic balance and the diversity in experience and regulatory approaches of the IFIAR membership.
- 5.7 Where there are more nominations than open positions on the Advisory Council, election of members of the Advisory Council shall be based on a plurality of the votes cast as described in Section 3.1(D). Each IFIAR Member may cast one vote for each open position on the Advisory Council. Voting for the Advisory Council shall be by secret ballot. If there are the same number (or fewer) candidates as open positions on the date established for nominations, each nominated candidate will become a member of the Advisory Council. The Chair will seek additional nominations for any remaining positions, as set forth in 5.8 in a second, two-week period, set forth below. At their request, candidates will be informed of the number of votes they receive.
- 5.8 In the second nomination period, existing Advisory Council Members who would otherwise be rotating off the Advisory Council may nominate themselves for an additional two-year term, as well as any Members who did not seek nomination in the first period. Election of members nominated during this period will then proceed as prescribed in Section 5.7. If, after the second nomination period closes, there are fewer candidates than open positions, each nominated candidate will become a member of the Advisory Council, and there will be no further nominations.

- 5.9 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 Advisory Council members.
- 5.10 The Officers shall chair the meetings of the Advisory Council in accordance with Sections 4.5 and 5.9.

#### **Section 6 – Transparency and accountability**

- 6.1 IFIAR should operate with a high degree of transparency and should:
- Issue an Annual Report;
  - Issue press releases about its activities and views or positions when adopted;
  - Maintain a publicly available website including at, minimum, the following information:
    - o IFIAR's Charter;
    - o List of Members, Associates, and Observers;
    - o Information about IFIAR's work program and activities;
    - o IFIAR views or positions when adopted; and
    - o Press releases.

#### **Section 7 – Resources and funding**

- 7.1 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.
- 7.2 IFIAR shall have a financial year beginning on 1 January.
- 7.3 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.
- 7.4 After discussion amongst the Members and, if necessary, amendments to the Officers' proposals, the Members will approve the budget.
- 7.5 Taking into account the approved budget, the Members will agree upon annual fees to be paid by all Members in the following year.
- 7.6 Failure by a Member to pay the annual membership dues on a timely basis will be reported to the next plenary meeting and may lead to suspension and/or termination of membership unless the other Members allow the defaulting Member



to retain its membership. For as long as a Member is in arrears on its dues, such Member cannot vote or be a member of a working group.

- 7.7 The Members agree to establish a legal entity (a Verein) under the Swiss Civil Code for the sole purpose of facilitating the collection of membership fees and the payment of the costs of the organizational and administrative resources.
- 7.8 The Officers shall present to the Members at the 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.
- 7.9 If necessary, Members hosting meetings or workshops may ask Members to help defray the costs of such events.
- 7.10 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.

#### **Section 8 – Amendments**

- 8.1 This Charter shall continue in effect, unless and until, the Members provisionally agree to a proposed Charter amendment at a plenary meeting and the amendment is ratified by such Members either at a subsequent plenary meeting or by written procedure, after the Members have obtained the subsequent approval of their governing bodies, as needed.

#### **Section 9 – Effective Date**

- 9.1 This Charter shall become effective on the date that is thirty (30) days after the date it has been approved by Members at a plenary meeting or by written procedure, after such Members have obtained the subsequent approval of their governing bodies, as needed.