

IFIAR Releases 2021 Report on Annual Survey of Audit Inspection Findings

March 25, 2022

IFIAR released today a report on the results of its tenth annual survey of inspection findings arising from its Member regulators' individual inspections of audit firms affiliated with the six largest global audit firm networks (the Global Public Policy Committee networks, or "GPPC networks"). IFIAR collected information about two categories of activities: inspections of firm-wide systems of quality control and inspections of individual audit engagements. IFIAR Members from fifty-two jurisdictions contributed to the 2021 survey.

IFIAR Members reported in the 2021 survey that 30% of audit engagements inspected had at least one finding, compared to 34% in the 2020 survey, and down from 47% in the first survey capturing this percentage in 2014.

The inspection results included in the 2021 survey are predominantly for inspections of audits that concluded prior to the advent of the pandemic. Potential impacts of the pandemic on auditing will be more fully reflected in the 2022 survey results.

IFIAR monitors general trends in survey findings over time, as individual year-over-year changes in aggregate results across our Members' inspections programs are not necessarily indicative of lasting changes in audit quality. Furthermore, the survey results do not measure precisely and are not the sole factor when considering firms' progress in improving audit quality. Members' inspection processes follow a risk-based methodology and are not necessarily intended to select a representative sample of all firms or of all their quality control elements or assurance work throughout the year.

Nonetheless, the rate of findings at the aggregate level remains too high and IFIAR urges the GPPC networks and their member firms to continue to focus on reducing the high level of findings and to drive towards achieving consistently high-quality audit performance.

While responsibility for improving audit quality rests with audit firms, IFIAR seeks to influence progress towards consistent, high-quality audits globally through various activities, including by advancing the regulatory oversight capabilities of its Members and by regularly engaging with and challenging the GPPC networks to achieve higher quality audits.

In 2019, the Global Audit Quality Working Group (GAQWG) renewed an initiative challenging the GPPC networks to reduce the percentage of listed PIE audits inspected with one or more findings in participating jurisdictions by at least 25% over a four-year period. Approximately half of IFIAR's Member jurisdictions are participating in this initiative.

The collective baseline for the initiative for 2019 was 32%, and GPPC network member firms are aiming for a collective percentage of inspected audits with findings of 24% or less by 2023, the end of the measurement period. The 2021 report marks the midpoint measurement year for the initiative, and the percentage of audits with at least one finding reported by the IFIAR Members participating in the initiative was 29%.

About the Survey

IFIAR's annual Inspection Findings Survey collects data on key results from IFIAR Members' inspections of audit firms' systems of quality control and audits of listed public interest entities (PIEs), including systemically important financial institutions (SIFIs). Inspection findings for PIE audits are deficiencies in audit procedures that indicate that the audit firm did not obtain sufficient appropriate audit evidence to support its opinion, but do not necessarily imply that those financial statements are also materially misstated.

About IFIAR

Established in 2006, the International Forum of Independent Audit Regulators (IFIAR) comprises independent audit regulators from 54 jurisdictions representing Africa, North America, South America, Asia, Oceania, and Europe. Our mission is to serve the public interest, including investors, by enhancing audit oversight globally. IFIAR provides a platform for dialogue and information-sharing regarding audit quality matters and regulatory practices around the world; and promotes collaboration in regulatory activity. IFIAR's official observer organizations are the Basel Committee on Banking Supervision, the European Commission, the Financial Stability Board, the International Association of Insurance Supervisors, the International Organization of Securities Commissions, the Public Interest Oversight Board and the World Bank. For more information about IFIAR, visit www.ifiar.org.