

IFIAR Releases Report on Sixth Annual Survey of Audit Inspection Findings

March 8, 2018

IFIAR released today a report on the results of its sixth annual survey of inspection findings arising from its member regulators' individual inspections of audit firms affiliated with the six largest global audit firm networks. IFIAR collected information about two categories of activities: inspections performed on firm-wide systems of quality control and inspections of individual audit engagements. Forty-two IFIAR members contributed to the 2017 survey.

IFIAR members reported in the 2017 survey that 40% of audit engagements inspected had at least one finding, compared to 42% in the 2016 survey and to 47% in the first survey capturing this percentage (2014 survey).

The survey results do not measure precisely – and are not the sole factor when considering developments in – firms' progress in improving audit quality due to matters such as risk-based audit engagement selections. A comprehensive evaluation of audit quality would involve consideration of various factors beyond numerical information about deficiencies identified and reported over the course of an inspection.

However, high rates of findings indicate need for improvement. To that end, IFIAR's Global Audit Quality Working Group (GAQ WG) set a goal in 2015 for the six largest network firms to reduce the number of deficient audits (those with at least one finding) reported in aggregate by members of this Working Group in IFIAR's annual survey by at least 25 per cent – to 29% or less – by 2019. The 2017 survey results from these members show a 30% rate of findings at the mid-point in this measurement period. The six largest networks and their individual member firms have taken actions over several years with the objective of addressing deficiencies in audit execution in these jurisdictions. The six largest network firms have indicated their commitment to sustained efforts to maintain and further reduce the overall level of findings over the target to 2019.

Although the frequency of findings from inspections of individual audit engagements has reduced on an overall basis compared to the last survey, progress is not experienced in all jurisdictions or at the same rate. Further, no definitive trends have been noted for findings arising from inspections of firm-wide systems of quality control. These results affirm IFIAR's views that the global networks must continue in their efforts to strengthen their systems of quality control and drive consistent execution of high quality audits throughout the world.

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 52 jurisdictions representing Africa, North America, South America, Asia, Oceania, and Europe. Dedicated to serving the public interest and enhancing investor protection, 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.