

IFIAR Urges Continued Audit Quality Improvement Efforts

March 15, 2021

IFIAR released today a report on the results of its ninth 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. Fifty IFIAR members contributed to the 2020 survey.

IFIAR members reported in the 2020 survey that 34% of audit engagements inspected had at least one finding, compared to 33% in the 2019 survey, and down from 47% in the first survey capturing this percentage in 2014. This slight year-over-year increase is the only time the finding rate has increased over the past seven surveys.

The inspection results included in the 2020 survey are for inspections of audits that concluded prior to the advent of the pandemic. The pandemic's effects on inspection activity may be reflected in the 2021 and subsequent surveys.

IFIAR monitors general trends in survey findings over time, as year-over-year changes in aggregate results across our members' inspections programs are not necessarily indicative of changes in audit quality. However, the rate of findings at the aggregate level remains high, and the need remains for audit firms to make continued efforts to address the high level of findings. Further, variability over time in findings from inspections of systems of quality control continues to be of concern. A strong system of quality control is a critical element in improved and sustained audit quality. IFIAR, therefore, urges the GPPC networks' and their member firms' continued improvement efforts in the interest of achieving consistently high quality audit performance.

The survey results do not measure precisely – and are not the sole factor when considering developments in – 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, firms' quality control elements or all assurance work throughout the year. A comprehensive evaluation of audit quality involves consideration of various factors beyond numerical information about deficiencies identified and reported over the course of an inspection.

While responsibility for improving audit quality rests with audit firms, IFIAR seeks to influence progress towards consistent, high quality audits globally through various activities. IFIAR encourages audit firms to execute on an ongoing cycle of continuous improvement, a topic that has been – and will remain – a prominent aspect of IFIAR's dialogue with the GPPC networks and knowledge sharing among IFIAR members.

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.