IFIAR

INTERNATIONAL FORUM OF INDEPENDENT AUDIT REGULATORS

Survey of Inspection Findings 2024

This report, released on March 17, 2025, presents information collected by IFIAR through its thirteenth annual survey of the results of its member regulators' inspections of the six Global Public Policy Committee networks.

Auditors play a critical role in the capital markets by providing assurance over the financial statements of market participants. Similar to other important capital market functions, audit of public interest entities is subject to regulatory oversight in many jurisdictions. A central element of independent audit regulators' oversight activities is the conducting of inspections of selected audit firms' system of quality management and individual audit engagements.

This report on IFIAR's 2024 Survey of Inspection Findings provides an overview of our annual survey findings and highlights results. A complete description of the survey's methodology and details of the 2024 and prior survey results are included in the attached appendices.

1 Overview

IFIAR, a membership organization of 56 independent audit regulators ("Members"), conducted its thirteenth annual survey of Members' inspection results and programs during 2024. The survey collects data about inspection findings arising from its Members' individual inspections of audit firms ("member firms") affiliated with the six global audit networks that comprise the Global Public Policy Committee ("GPPC networks").[1] IFIAR Members from 50 jurisdictions participated in the survey, providing data on inspection reports issued to the GPPC networks' member firms generally during the twelve months ended June 30, 2024. Members also conduct inspections of other audit firms outside of the GPPC networks, and accordingly the results of this survey may not necessarily be representative of overall audit quality in those respective jurisdictions.

With the shared goal of consistently high-quality audits globally, IFIAR publishes the results of its annual survey of inspection findings to provide transparency about the results of Members' inspection programs for stakeholders. The annual survey of inspection findings is an important component of IFIAR's dialogue among regulators about oversight experiences, challenges, and approaches. It also features in IFIAR's ongoing engagement with international audit and ethics standard setters, and with the GPPC networks about their efforts to strengthen their member firms' systems of quality management and to drive consistent execution of high-quality audits throughout the world.

Since first tracking this statistic in 2014, the percentage of audits with findings has declined from 47% to 26% in 2022, before reaching 32% in 2023 survey and 34% as of the 2024 survey.

The recurrence and level of findings reflected in the survey continues to indicate a lack of consistency in the execution of high-quality audits and the need for additional focus on continuing

[1] Each of the GPPC networks is comprised of a group of legally separate firms operating locally in countries or regions around the world. The GPPC networks participate in the Global Public Policy Committee (GPPC), represented by the following entities: BDO International Limited, Deloitte Touche Tohmatsu Limited, Ernst & Young Global Limited, Grant Thornton International Limited, KPMG International Cooperative, and PricewaterhouseCoopers International Limited.

improvement. IFIAR reiterates its message to the GPPC networks and their member firms to strengthen their quality management activities to:

- Identify areas for improvement to the systems of quality management that support their audit practices;
- Perform root cause analysis and implement responsive actions;
- Monitor the impact of such actions; and
- Leverage the results to adjust or refine their improvement strategies.

Such activities are important in driving a cycle of continuous improvement, which has been – and will remain – a prominent aspect of IFIAR's dialogue with the GPPC networks.

The survey is not designed to – and does not – provide a complete measure of firms' progress in managing audit quality. Inspection findings should not be the sole measure of progress in audit quality as they do not serve as "balanced score cards" or overall rating tools. Deficiencies identified and reported over the course of an inspection are nevertheless an important metric provided by independent audit regulators, forming one of the many indicators used to assess audit quality. Other quantitative and qualitative indicators also should be considered in conjunction with inspection results.

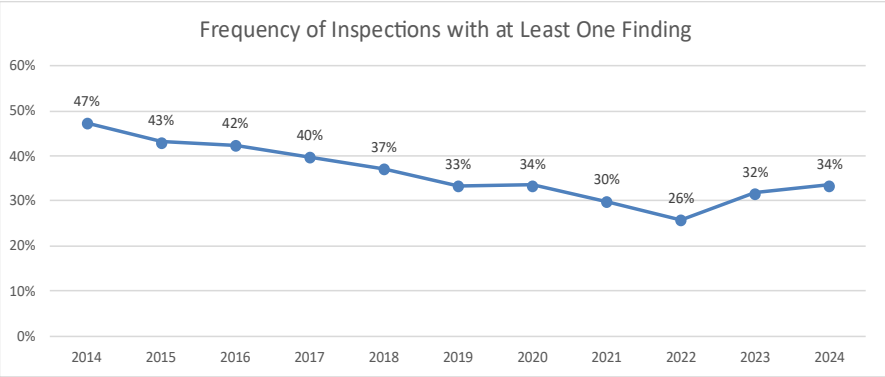
Historical, quantitative information about inspection results is one means to identify general trends in areas of findings. The survey's information neither measures empirically changes in audit quality nor assesses the degree of severity of individual significant deficiencies that meet IFIAR's definition of a finding. For purposes of the survey, a finding is a significant deficiency in satisfying the requirements of auditing standards. **It is important to note that a finding**[2] **from an inspection of an audit engagement does not necessarily indicate that the audited financial statements are misstated.**

[2] For purposes of this survey, a finding is a significant deficiency in satisfying the requirements of auditing standards. With respect to audit engagement findings related to a financial statement balance or disclosure, a deficiency is either a matter with respect to which the member firm did not obtain sufficient audit evidence to support its opinion or a failure to identify or address a material, or likely potential material, error in the application of an accounting principle. With respect to all other themes, a deficiency is a departure from auditing standards or requirements, including standards on quality control and ethics and independence requirements that may or did have an effect on audit quality, either due to the significance or systemic nature of the departure. An inspection finding related to an audit engagement does not necessarily indicate that the financial statements are misstated; the audited entity's accounting and disclosure may have been appropriate, whether or not the auditor satisfied the requirements of auditing standards. IFIAR has not sought to quantify misstatements associated with Member findings because 1) the transparency and manners of addressing errors in financial statements vary in Members' jurisdictions, including in some cases not restating, and 2) the regulatory mandates of many Members do not extend to the determination of whether or not financial statements are misstated. Appendix C provides further information about the survey methodology, including information about what constitutes a finding, and Appendices A and B present details of the results compiled from past annual surveys.

2 2024 Survey Results

As with prior years' surveys, IFIAR collected information about two categories of inspection activities: those that relate to firm-wide systems of quality control or management, and those that relate to individual audit engagements. Systems of quality control are an area of focus for many audit regulators and audit firms, as these systems serve as the foundation for executing and monitoring quality audits. For insight into the effectiveness of audit firms' systems of quality control in supporting audit quality, IFIAR tracks the percentage of listed public interest entity (PIE) audits inspected with at least one finding.

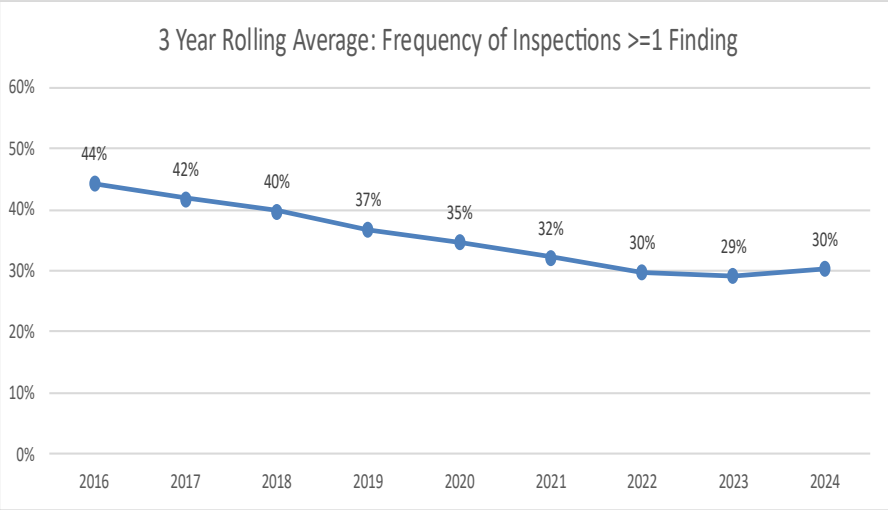
While the number of findings reported in this survey have generally shown a decrease since tracking began in 2014, the results of both the 2023 and 2024 surveys reveal an increase in the number of listed PIE audits inspected with at least one finding.



Audit firms are expected to increase their efforts to enhance audit quality to reduce the number of audits with findings.

IFIAR observes that efforts have been made to reduce the level of deficient audits (see section 3). However, 2024 resulted in another year with an increase in findings (two percent over 2023) and reveals a troubling trend in contrast to the gradual reduction achieved previously. IFIAR reiterates its call on the GPPC networks and their member firms to conduct a more thorough review and root cause analysis to understand the reasons for this continued increase in findings. This must be followed by the implementation of all necessary actions to address the issues in order to drive improvement in audit quality to achieve consistently high quality audit performance.

IFIAR monitors general trends in survey findings over time, rather than seeking to evaluate year-over-year changes in aggregate results. It is worth noting that the three-year rolling average in 2024 also reveals an increase in the number of listed PIE audits inspected with at least one finding.



Trends

The survey data may not reflect the most current state of audit performance, in part due to the time necessary to finalize an inspection and issue a report. As a result of this reporting time lag, actions undertaken to improve audit quality may not be reflected immediately in the survey results. Appendix B provides more details on this time lag. The longer-term trend in results can be seen using the three-year rolling average chart above. Trends may be impacted by variations across survey years in the topics of focus of the inspection programs of the Members' participating in the survey and the mix of member firms inspected.[3] Some Members' results do show a slight improvement in audit quality over this time. In addition, changes in Members' inspection programs may lead to variability in reporting results to the survey. IFIAR monitors the impact of changes to ensure that findings are consistently reflected in the survey. To date, no reporting changes have significantly influenced the findings or results being reported. Given the year over year variations explained above, IFIAR examines longer term trends over a three-year rolling average, which had indicated improvements in results over time, but continued increase in findings in 2024 had a negative impact on the trend.

Quality Control and Quality Management Standards

Most of the inspection activity included in this survey has been undertaken under the International Auditing and Assurance Standards Board's (IAASB) International Standard on Quality Control 1 (ISQC 1). The updated IAASB standard, International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* (ISQM 1) became effective on December 15, 2022 and led the GPPC networks to revisit their quality management systems with the goal of identifying the applicable risks that affect audit quality, and designing and implementing controls that best address those risks.

While not all Members jurisdictions will apply ISQM 1 (Members reported that 44 out of 50 jurisdictions are required to adopt ISQM 1), it provides a common language when other standards with similar aims apply. These standards all typically require a firm to perform an annual evaluation of their quality management system.

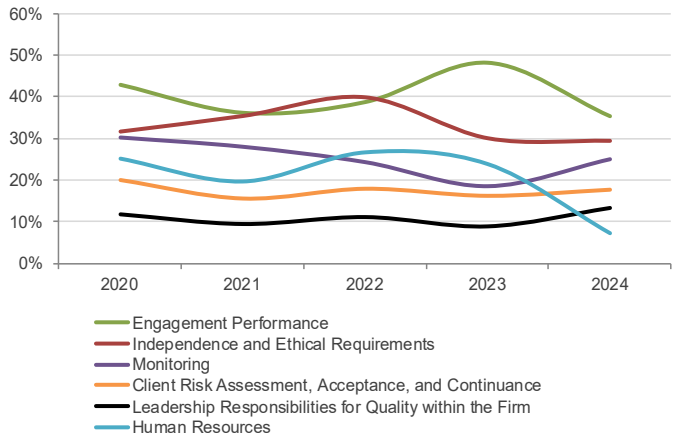
[3] The composition of Members responding to the survey, though largely consistent across recent survey years, can impact survey trends. To better understand the impact of changes in reporting Members, IFIAR determined that 34 Members had reported inspection findings on listed PIE audits for each of the past three survey years (2021-2024). Responses from these 34 Members account for 95% of the listed PIE audits inspected and reported on in the 2024 survey.

The GPPC networks have focused on the implementation of ISQM 1 over the past several years, and beginning in 2023, the networks and their member firms have begun their evaluation and reporting under the quality management system. Members have begun to pivot their inspection programs to include a focus on ISQM 1, however, this will be a staged approach based on the effective dates in each jurisdiction. The majority (40 of 44) IFIAR Members that are required to adopt ISQM 1 expect they will begin reporting some inspection results against the requirements of ISQM 1 in 2024 inspections, at the earliest. We plan to update the survey reporting as IFIAR Members inspection programs are adjusted for ISQM 1, likely in reporting the 2025 survey results.

The sections below briefly highlight the 2024 survey's data on inspections of firm-wide systems of quality control and on engagement-specific audit inspections. See appendices A and B for additional survey data on inspection results.

Inspections of Firm-wide Systems of Quality Control

Inspections performed on firm-wide systems of quality control address those policies and processes established by audit firms to support audit quality, including by monitoring audits for compliance with independence requirements. The chart summarizes the percentage of member firms inspected with at least one finding in the indicated areas of systems of quality control. The rate of findings in the firm-wide system of quality control still fluctuates and remains too high in a number of areas, which is of concern to IFIAR. Appendix A of this report includes the comprehensive set of data on inspections of firm-wide systems of quality control collected through IFIAR's 2024 and prior surveys.



A strong system of quality control is a critical element in improving audit quality; accordingly, quality control systems are a primary focus of many inspection programs. The high level of findings of quality control inspection outcomes over time continues to be of concern. IFIAR continues its dialogue with the GPPC networks about each network's initiatives to make continual improvement to systems of quality control.

Inspections of Individual Audit Engagements

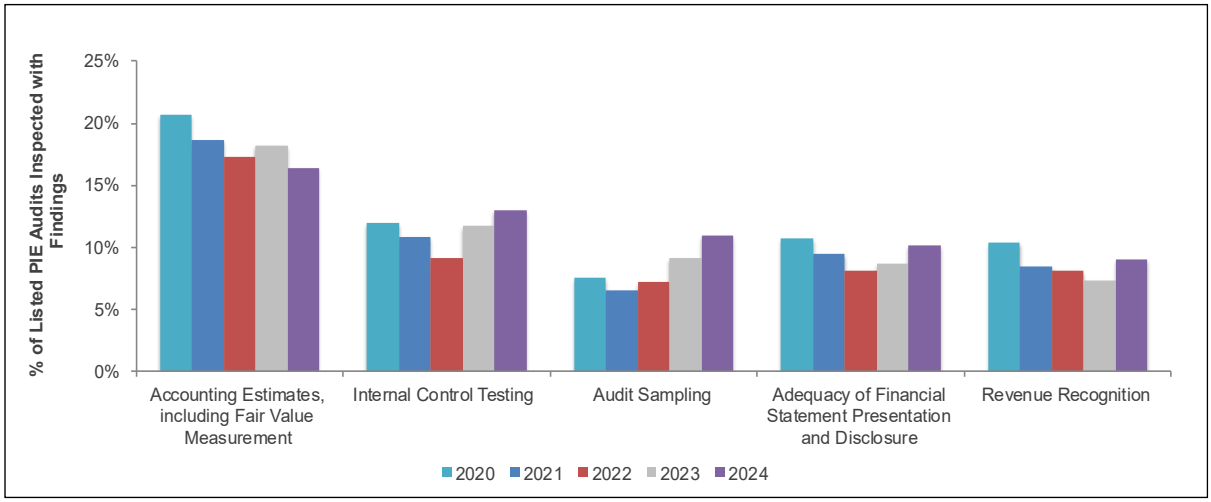
Inspections of individual audit engagements assess an audit firm's execution of auditing standards on a selected audit (as mentioned, a finding is not necessarily indicative of a financial statement misstatement). IFIAR's survey collects data on inspections of listed PIE audits and audits of systemically important financial institutions (SIFIs).

IFIAR tracks, as illustrated below, the percentage of listed PIE audits inspected with at least one finding, as one metric to understand the collective effect on engagement-level performance of member firms' initiatives related to systems of quality control. Although IFIAR follows the trend of

survey findings over time as a measure of audit quality, for the reasons indicated at page two of this report, year-over-year changes are not necessarily indicative of improvements or deterioration of audit quality. However, the current year rate is concerning.

2020	2021	2022	2023	2024
34%	30%	26%	32%	34%

The chart below summarizes historical survey results for the 2024 survey's five inspection areas with the highest frequency of inspection findings for listed PIE audits. Four out of the five inspection areas show an increase in the rate of listed PIE audits inspected with at least one finding compared to the 2023 survey. Appendix B of this report provides the comprehensive set of data on inspections of listed PIE and SIFI audit engagements collected through IFIAR's 2024 and prior surveys.



Approximately 60% of the results of inspections submitted in the 2024 survey are in relation to audits with year-ends in 2022 or 2023. The survey, for the first time in 2024, collected the total number of findings across the listed PIEs with inspection findings. By considering the average, which is 3.2 for 2024, IFIAR hopes for a reduction in both the number of findings, as well as the number of inspections with findings.

Members' Reporting and Follow Up of Inspection Outcomes

In addition to data on inspection findings, the 2024 survey gathered information about IFIAR Members' inspection reporting and follow up practices.

Reporting inspection results: Local laws, regulations, and practices determine the extent to which inspection results can be disclosed (for example, reported publicly or to audit committees). The following summarizes the number of surveyed Members that report inspection results to various stakeholders.

Quality Control Inspection Findings:

- 47 Members report to firm leadership
- 46 Members issue public reports, of which 9 Members identify results by individual audit firm while 37 Members do not

- 5 Members report results to audit committees / those charged with governance

Engagement Inspection Findings:

43 Members report on engagement inspections publicly. Of the 43 Members:

- 34 Members do not identify results by individual audit firm
- 8 Members identify individual audit firms
- 1 Member identifies the audit firm and the audited entity

Ratings:

- 8 Members report assigning an overall firm rating based on inspections outcomes (1 publicly)
- 12 Members report rating quality control systems (4 publicly)
- 18 Members report rating audit engagement files (4 publicly)

Follow up practices: Most Members (46) indicated that they require audit firms to report back on the actions taken to address inspection findings, and 33 Members track whether inspection findings result in a material misstatement in the financial statements. Thirty-eight (38) Members indicated that firms conduct root cause analysis, on which the firms report back to the Member. Most Members (45) have a process to determine whether they should reinspect the firm and similar focus areas at the firm in subsequent years. All Members have the ability to refer inspection findings for investigation or enforcement.

3 Promotion of Audit Quality

IFIAR provides a forum for its Members to collaborate, share knowledge and learn about independent audit regulatory practices, experiences, challenges and developments - helping to advance their oversight capabilities and thereby enhancing global audit quality. Further, although IFIAR itself is not a regulator, IFIAR leverages the collective expertise, experience and perspectives of its Members to inform and influence key stakeholders with an interest in high audit quality. For example, while responsibility for improving audit quality rests with the GPPC networks and their member firms, IFIAR regularly engages with and challenges the GPPC networks to achieve higher quality audits. Similarly, IFIAR uses the information gathered through the survey to inform our discussions with the international audit and ethics standard setters in order to promote high quality standards. IFIAR's Annual Reports provide details on IFIAR's various initiatives aimed at promoting maintainable improvement in audit quality.

As part of its engagement, IFIAR's Global Audit Quality (GAQ) Working Group uses the results of the annual inspection findings surveys to monitor efforts of the GPPC networks to improve audit quality over time. In 2024, the GAQ Working Group renewed an initiative challenging the GPPC networks to reduce the percentage of listed PIE audits inspected with one or more findings over a four-year period between 2023 and 2027 (the "initiative").

The GAQ Working Group and the GPPC networks agreed that the aim for the initiative is for the GPPC member firms' collective performance to result in a reduction of at least 25% in the

percentage of inspected audits with findings, from 32% in 2023 to 24% by the end of the measurement period in 2027. Past initiatives were based on the findings of a subset of Members whereas the current initiative includes all Members participating in the survey.

During 2024, the GAQ Working Group engaged in dialogue with the networks on improving audit quality through better understanding of repeat findings, learning from root cause analysis, and actions and initiatives to reduce findings. The actions discussed and implemented are not reported in this survey, but are a collective effort to begin the process of change. Not all networks are in the same place as it relates to audit quality, and a focus both collectively and by each individual network and member firm is imperative.

Given the increase in the percentage of audits inspected with at least one finding over the past two years, the GAQ Working Group will continue to engage with the networks both collectively and on an individual basis to understand their efforts to improve audit quality. The GAQ Working Group hopes that the transition to a risk-based system of quality management and the processes and controls the GPPC network member firms have implemented will drive improvements in audit quality.

APPENDICES

The attached appendices offer a complete description of the 2024 survey methodology along with survey results from prior years. The appendices are organized into three sections:

A Firm-wide Systems of Quality Control Inspection Results

B Engagement-level Inspection Results

C About IFIAR and the Survey of Inspection Findings

Appendix A:

Firm-wide Systems of Quality Control Inspection Results

This appendix provides information on results of the current survey, and selected data from the 2020-2024 surveys, regarding inspections of firm-wide systems of quality control. For additional information, including prior reports and related press releases, please visit ifiar.org.

An audit firm's system of quality control serves as a foundation for executing quality audits. Under international standards on quality control, as well as many of the national standards in place in IFIAR Member jurisdictions, audit firms are required to establish a system of quality control. A system of quality control involves a firm's organizational structure and the policies and procedures in place to provide reasonable assurance that:

- the firm and its personnel comply with professional standards and applicable legal and regulatory requirements, and
- reports issued by the firm or engagement partners are appropriate in the circumstances.

For purposes of the survey, quality control findings are departures from quality control or ethics standards, or from independence requirements, that may have had an effect on audit quality due to the significance or the systemic nature of the departure.

Quality control findings addressed in this appendix do not relate to specific audit engagements but instead address the policies and procedures in place at the member firm to provide for overall quality control. Quality control findings are more systemic in nature; they are relevant in general to the firm's audit practice and therefore there is an interaction between engagement-level and quality control findings. While quality control findings are attributed to a firm in general, deficiencies in its quality control system may impact the firm's environment for individual audit engagements or for internal monitoring and oversight of audit engagements. Consequently, a deficient system of quality control would likely be manifested in engagement-level findings. In addition, issues observed in inspections of specific engagements determined to be systemic (not engagement-specific) in nature may be considered deficiencies in the effectiveness of a firm's system of quality control.

The survey's categories or inspection themes for quality control findings are based on the different elements of ISQC 1.[4] Inspections of firm-wide systems of quality controls address topics such as

[4] *See* IAASB International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*. ISQC 1 is required in many, but not all, IFIAR Member jurisdictions. In 2020, the IAASB approved the replacement of ISQC 1 with a restructured and enhanced ISQM 1, with firms being required to design and implement compliant systems of quality management by December 15, 2022. We plan to update the

systems and processes to manage compliance with auditor independence requirements; procedures to assess risk before accepting or continuing an audit engagement; and personnel systems regarding staff development, promotion, and assignment of audit engagement teams.

Thirty-seven Members reported the results of their inspections of 135 member firms' systems of quality control in the 2024 survey, as illustrated in the table below.

Table A.1

IFIAR Members Reporting and Member Firms Inspected, 2020-2024 Surveys

	2020	2021	2022	2023	2024
IFIAR Members Submitting Findings	45	44	41	41	37
Member Firms Inspected	139	142	151	134	135

Table A.2 below provides information about the number and rates of member firms with findings by inspection theme. Tables A.3 and A.4 provide additional details about the number of findings by descriptive sub-categories for each theme.

Table A.2

2020-2024 Survey Results: Member Firms with at Least One Finding by Inspection Theme

	2020		2021		2022		2023		2024	
Inspection Theme	#	%	#	%	#	%	#	%	#	%
Engagement Performance	58	43%	46	36%	52	39%	56	48%	40	35%
Independence and Ethical Requirements	37	32%	45	35%	50	40%	36	30%	32	29%
Monitoring	35	30%	33	28%	35	24%	21	19%	24	25%
Client Risk Assessment, Acceptance, and Continuance	22	20%	17	16%	19	18%	19	16%	20	18%
Leadership Responsibilities for Quality within the Firm	14	12%	11	9%	14	11%	10	9%	15	13%
Human Resources	31	25%	24	20%	31	27%	27	24%	8	7%

survey reporting as IFIAR Members inspection programs are adjusted for ISQM 1, likely in reporting the 2025 survey results.

Appendix A: Firm-Wide Systems of Quality Control Inspection Results

Table A.3

2020-2024 Supplemental Details on Nature of Findings for Select Inspection Themes

Inspection Theme	Theme Sub Category	Number of Findings				
		2020	2021	2022	2023	2024
Engagement Performance	Insufficent **depth / extent of engagement quality control review (EQCR)**	24	20	18	17	20
	Audit **methodology and guidance**	12	16	31	19	17
	Archiving / Assembly of final audit file - ***New in 2021***	--	16	22	22	11
	Failure to establish and/or implement policies and procedures for sufficient, timely engagement **supervision and review**	27	27	24	20	10
	Consultations	6	10	5	2	6
	Failure to establish **policies and procedures for EQCR** that provides an objective evaluation of the significant judgements made by the engagement team	8	4	10	6	1
	Failure to perform a **timely EQCR**, although required by firm or other applicable policies	9	8	3	2	0
Independence and Ethical Requirements	Failure to monitor effectively Firm **staff and partner personal independence**	20	21	27	18	18
	Failure to consider and evaluate **non-audit and/or audit-related services** provided to issuer	16	19	28	25	13
	Failure to implement a reliable system for tracking **business relationships**, audit firm financial interests, and corporate family trees, and/or failure to keep the related information up to date	6	6	17	3	8
	Failure to appropriately consider applicable **firm or partner rotation rules**	8	15	17	9	4
	Failure to maintain independence due to existence of **financial relationships** including failure to appropriately address those circumstances as impairments of the Firm's independence	7	2	9	6	4
	Failure to maintain independence due to a **business relationship** that existed during the professional engagement period	4	0	10	5	4
	Failure to **communicate to the audit committee certain relationships** that, in the firm's professional judgment, bear on independence	8	7	2	1	4
	Failure to maintain independence due to an individual on the audit engagement entering into an **employment relationship** with the former audit client	0	3	8	0	3
Human Resources	Assignment of engagement team	5	3	9	3	4
	Compliance with the firm training and learning plan	13	8	10	4	3
	Evaluation of audit quality as part of partner performance evaluations and admissions	10	6	6	6	2
	Impact of audit quality deficiencies in partner remuneration and assignments	2	2	4	6	0

Appendix A: Firm-Wide Systems of Quality Control Inspection Results

Table A.3 (continued)

2020-2024 Supplemental Details on Nature of Findings for Select Inspection Themes (continued)

Inspection Theme	Theme Sub Category	Number of Findings				
		2020	2021	2022	2023	2024
Monitoring	Failures in the area of **root cause analysis / remedial actions**	13	14	6	1	7
	Failure to identify audit performance issues when performing **internal inspections** in order to effectively monitor audit quality and respond to possible systemic deficiencies concerning the performance of audits	16	7	19	16	6
	Failure to effectively design and implement **pre-issuance reviews** to monitor the effectiveness of the remedial actions	4	3	4	4	5
Client Risk Assessment, Acceptance and Continuance	Insufficient procedures were performed and/or reliable information obtained to objectively assess the integrity of a new client	6	5	4	8	6
	Continuance assessment did not include consideration of significant matters that had arisen during the current or previous engagements	1	1	2	1	6
	Risk assessment process was not completed before engagement letter issuance date and/or field work date - ***New in 2021***	--	8	3	0	6
	Failure in the procedures and systems implemented to identify actual or perceived conflicts of interest or independence issue with an actual or prospective client (including failures in the reliability/up-dates of the databases used)	7	6	1	3	0
	Failure to assess the engagement risk associated with a new client, a new service or a service requested under specific circumstances	4	0	2	1	0
	Failure to implement procedures to monitor personal and firm independence or business relationships	0	0	2	1	0
	Failure to address actual or perceived conflicts of interest or independence issue	7	0	0	1	0
	Failure to consult with the risk management function or equivalent when the risk is assessed as being high	0	0	2	0	0
	Failure to assess at least on a yearly basis the acceptance of continuance of an engagement	3	2	1	0	0
	An engagement was accepted in an industry where the firm did not have sufficient personnel with the necessary experience and skills	1	0	0	0	0
Leadership Responsibilities for Quality within the Firm (i.e., Tone at the Top)	Failure of firm leadership to promote high audit quality as a non-negotiable/principal aim of the firm	6	6	6	3	5
	Failure of firm leadership to demonstrate the values identified as key to the organization	2	1	1	5	4
	Failure of firm leadership to communicate on a regular basis examples and demonstrations of positive values and behavior	4	0	0	2	2

Appendix B:
Engagement-level Inspection Results

This appendix provides information on results from the current survey, and selected data from the 2020-2024 surveys, regarding inspections of listed PIE and SIFI audit engagements. For additional information, including prior reports and related press releases, please visit ifiar.org. The first survey was conducted in 2012 (tracking the percentage of listed PIE audits with at least one finding began in 2014).

The survey collects data on inspections of audits of listed PIEs and SIFIs. As the global population of SIFIs is somewhat limited, the number of SIFI audits inspected annually and reported on in the IFIAR survey is significantly smaller than the number of listed PIE audits inspected.

IFIAR collects data on 17 inspection themes for listed PIE audit inspections and on 16 themes for SIFI audit inspections; six of the SIFI inspection themes differ from the listed PIE themes. This difference in themes allows IFIAR to gather more specific information about aspects of audits that typically are more prevalent in SIFI audit engagements. Survey responses provide data about the number of audits in which each theme was inspected; the number of inspected audits with at least one finding; and the total number of findings (as one inspected audit can have more than one finding per theme).

IFIAR has observed that the average rate of inspections with findings varies across IFIAR Members and between years. This may be due to a number of factors unrelated to the actual state of audit quality in Members' jurisdictions. For example, the member firms and the individual listed PIE audits inspected vary year to year. Most Members participating in the 2024 survey do not inspect each GPPC network firm annually. Some Members may choose to select certain engagements based on factors other than risk.

Appendix B: Engagement-level Inspection Results

Section 1: Listed PIE Audits Inspected

A. Data on Members Reporting and Audits Inspected

Table B.1

IFIAR Members Reporting and Listed PIE Audits Inspected, 2020-2024 Surveys

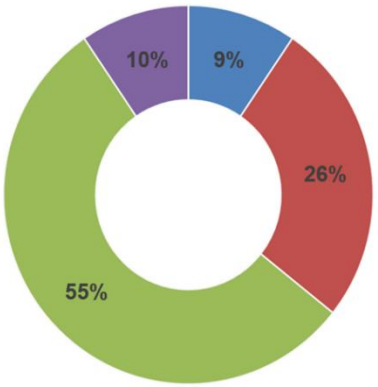
Listed PIE Audit Inspections

	2020	2021	2022	2023	2024
IFIAR Members Submitting Engagement Inspection Findings	42	42	42	45	42
Member Firms Inspected	131	128	152	159	135
Listed PIE Audits Inspected	898	893	905	886	763
Inspected Listed PIE Audits with at Least One Finding	301	267	234	282	257
Average Number of Findings per PIE Inspected with Findings - **New in 2024**	--	--	--	--	3.2
Frequency of Inspections with at Least One Finding	34%	30%	26%	32%	34%

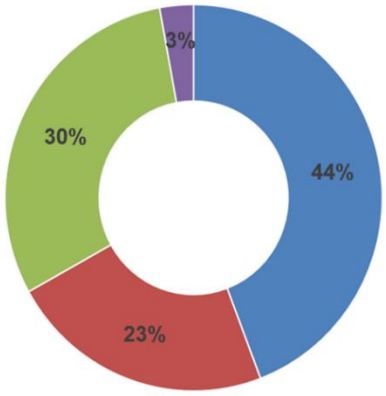
Figures B.1 and B.2

Geographic Distribution of Members and Listed PIE Audits Inspected, 2024 Survey

B.1: Members Providing Listed PIE Audit Inspections Data



B.2: Listed PIE Audits Inspected



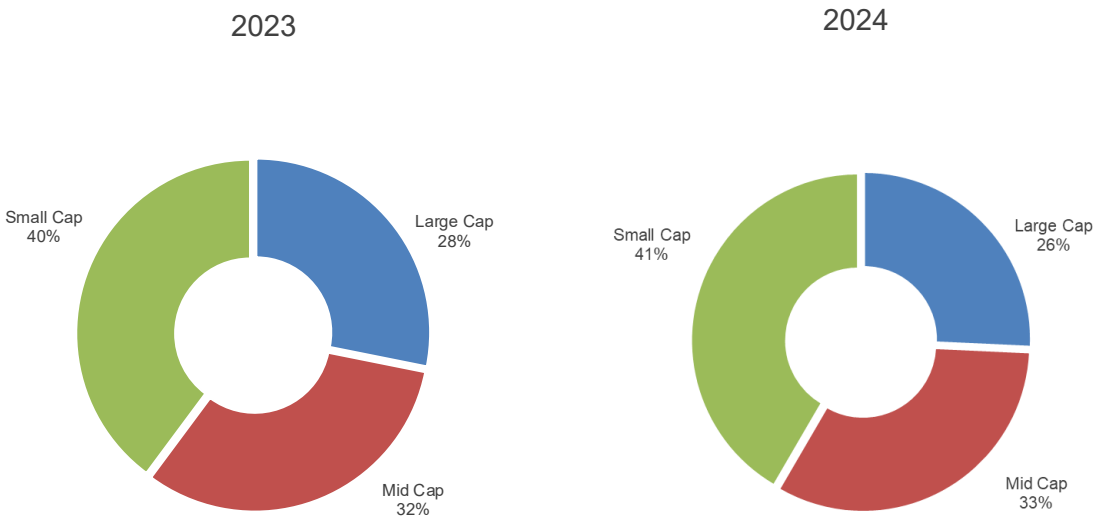
Americas Asia Pacific Europe Middle East and Africa

In 2024, IFIAR collected information about the size and industries of the listed PIEs whose audits were inspected and reported on in the survey. Recognizing the wide disparity in the sizes of IFIAR Members' equity markets, IFIAR used three categories of market capitalization, determined by each IFIAR Member relative to its own market. Members provided information about relative market size for 98% of the listed PIE audits inspected, summarized in the two figures below.

Appendix B: Engagement-level Inspection Results

Figure B.3

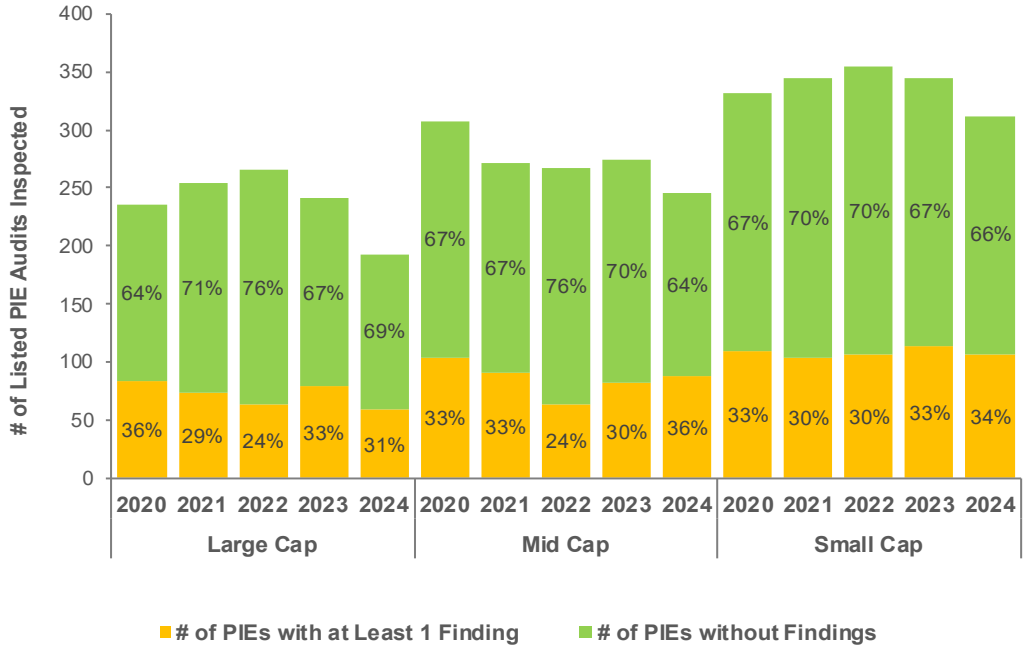
Listed PIE Audits Inspected by Market Capitalization, 2023 and 2024 Survey



Note: Market Capitalization is determined by each Member relative to their market.

Figure B.4

Percentage of Listed PIE Audits Inspected with and without Findings by Market Capitalization, 2020-2024 Survey



Note: Market Capitalization is determined by each Member relative to their market.

Appendix B: Engagement-level Inspection Results

Figure B.5

Listed PIE Audits Inspected by Industry, 2023 and 2024 Survey

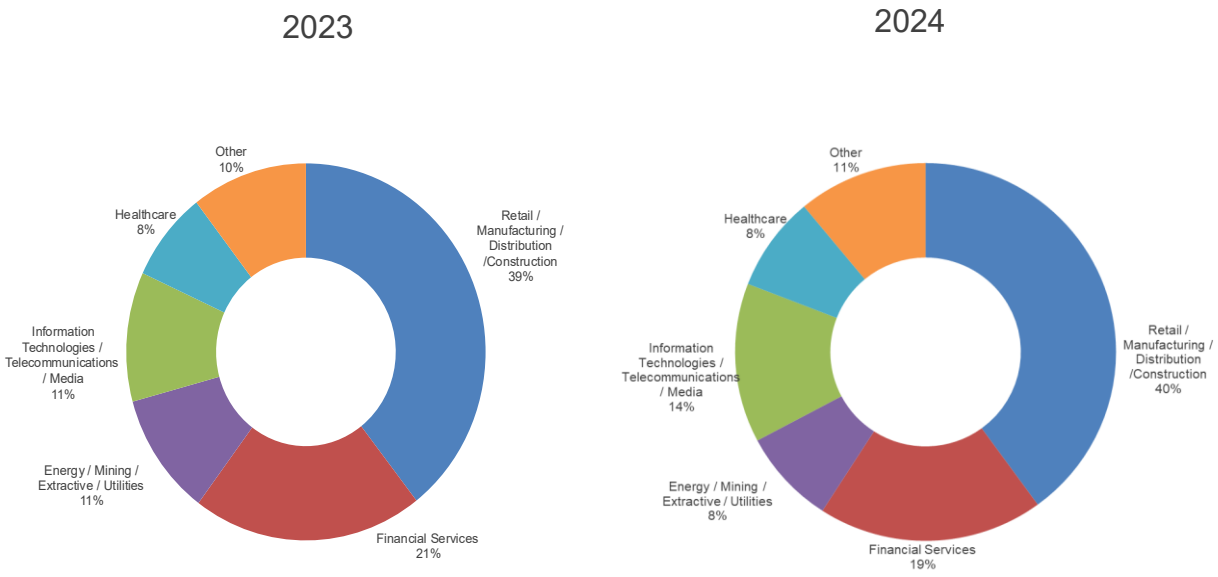
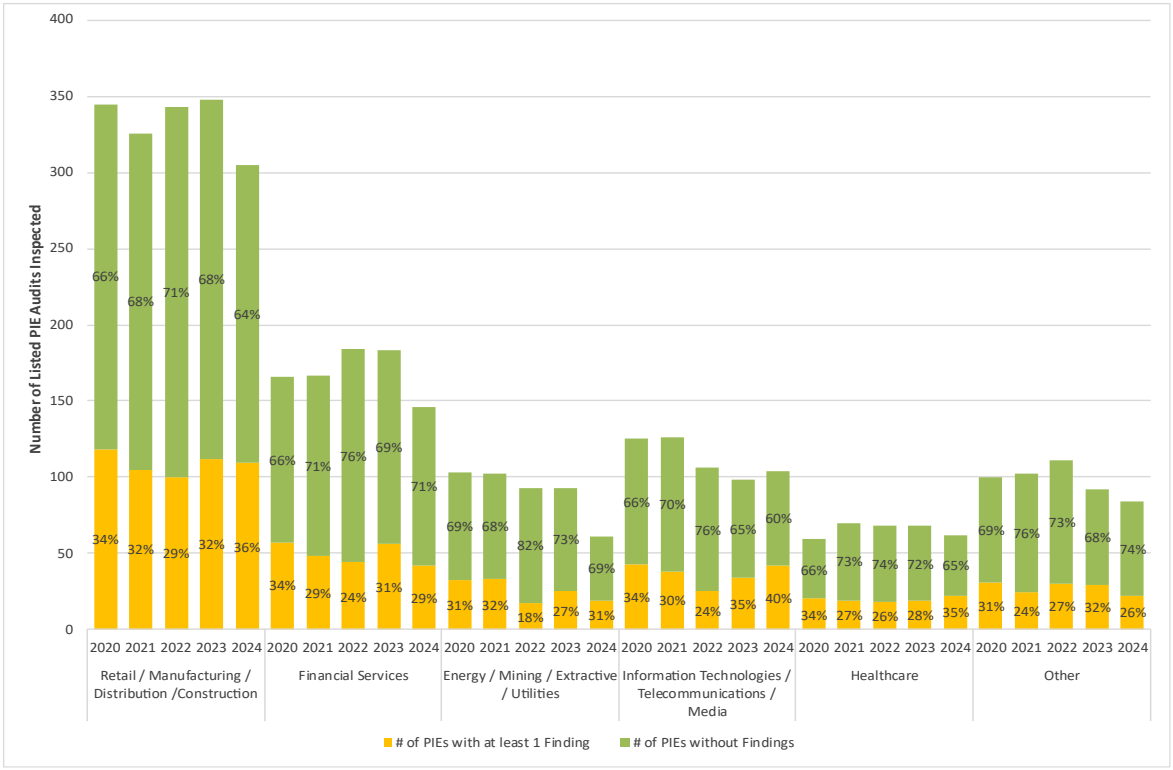


Figure B.6

Percentage of Listed PIE Audits Inspected with and without Findings by Industry, 2020 - 2024 Survey

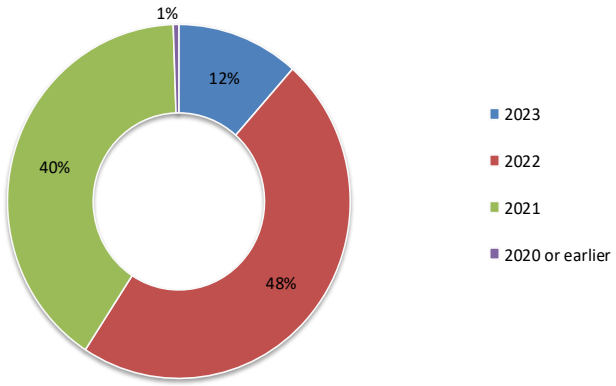


Appendix B: Engagement-level Inspection Results

The survey data may not reflect the most current state of audit performance. This is in part due to the time necessary, after completion of a financial statement audit, for the inspection to occur and for the inspected member firm and the audit regulator to complete any required processes that precede issuance of a final inspection report. As a result of this reporting time lag, actions undertaken to improve audit quality may not be reflected immediately in IFIAR's published survey results. The chart below illustrates this time lag, allocating the inspected audits reported in the 2024 survey by the fiscal year end of the listed PIEs' audited financial statements. This lag time on fiscal year ends has remained consistent year-over-year.

Figure B.7

Fiscal Year Ends of Listed PIE Audits Inspected, 2024 Survey



Appendix B: Engagement-level Inspection Results

B. Data on Inspection Results

Table B.2 Listed PIE Audits

2020-2024 Survey Results: Audits Inspected with at Least One Finding by Inspection Theme

	2020			2021			2022			2023			2024		
Inspection Theme	# of Listed PIE Audits in which the Topic was Inspected	Listed PIE Audits with at Least One Finding		# of Listed PIE Audits in which the Topic was Inspected	Listed PIE Audits with at Least One Finding		# of Listed PIE Audits in which the Topic was Inspected	Listed PIE Audits with at Least One Finding		# of Listed PIE Audits in which the Topic was Inspected	Listed PIE Audits with at Least One Finding		# of Listed PIE Audits in which the Topic was Inspected	Listed PIE Audits with at Least One Finding	
		#	%		#	%		#	%		#	%		#	%
Accounting Estimates, including Fair Value Measurement	613	127	21%	573	107	19%	562	97	17%	538	98	18%	472	77	16%
Internal Control Testing	703	84	12%	735	80	11%	633	58	9%	630	74	12%	581	75	13%
Audit Sampling	566	43	8%	546	36	7%	485	35	7%	461	42	9%	431	47	11%
Adequacy of Financial Statement Presentation and Disclosure	543	58	11%	547	52	10%	531	43	8%	554	48	9%	455	46	10%
Revenue Recognition	734	76	10%	694	59	9%	651	53	8%	625	46	7%	609	55	9%
Inventory Procedures	330	20	6%	328	14	4%	270	9	3%	262	14	5%	227	20	9%
Audit Report	530	22	4%	574	31	5%	719	43	6%	786	50	6%	699	58	8%
Group Audits	444	29	7%	447	21	5%	351	25	7%	356	28	8%	275	18	7%
Risk Assessment	812	26	3%	827	30	4%	817	22	3%	815	31	4%	696	39	6%
Going Concern	298	8	3%	374	13	3%	461	13	3%	301	8	3%	212	10	5%
Substantive Analytical Procedures	423	13	3%	392	18	5%	339	18	5%	369	22	6%	280	13	5%
Audit Committee Communications	676	27	4%	799	29	4%	739	26	4%	636	31	5%	593	24	4%
Fraud Procedures	548	17	3%	531	19	4%	488	14	3%	571	24	4%	463	17	4%
Use of Experts and Specialists	479	17	4%	501	17	3%	428	17	4%	454	25	6%	379	12	3%
Adequacy of Review and Supervision	415	20	5%	522	15	3%	478	18	4%	482	16	3%	370	10	3%
Engagement Quality Control Review	426	13	3%	434	7	2%	386	17	4%	379	13	3%	306	7	2%
Related Party Transactions	265	13	5%	266	11	4%	202	8	4%	292	14	5%	200	3	2%

While the table above details the number of listed PIE audits with at least one finding, the table below provides the total number of findings by inspection theme. Note that an inspected listed PIE audit may have more than one finding under a single inspection theme. As a result, the total number of findings (per the table below) for most themes exceeds the number of listed PIE audits with at least one finding (per the table above) for that theme.

Appendix B: Engagement-level Inspection Results

Table B.3 Listed PIE Audits

2020-2024 Survey Results: Total Number of Findings by Inspection Theme

Inspection Theme	2020	2021	2022	2023	2024
Internal Control Testing	173	203	150	206	221
Accounting Estimates, including Fair Value Measurement	190	158	147	149	131
Revenue Recognition	96	78	71	58	81
Audit Sampling	48	43	60	58	71
Audit Report	28	47	52	54	66
Adequacy of Financial Statement Presentation and Disclosure	95	71	95	75	62
Risk Assessment	36	37	33	39	49
Use of Experts and Specialists	19	19	25	33	29
Audit Committee Communications	31	30	28	31	25
Group Audits	50	22	37	37	22
Fraud Procedures	18	19	19	30	20
Inventory Procedures	21	16	13	19	20
Substantive Analytical Procedures	15	23	26	30	16
Going Concern	8	14	22	8	13
Adequacy of Review and Supervision	30	19	24	18	12
Engagement Quality Control Review	15	7	18	13	7
Related Party Transactions	18	11	12	14	3

Appendix B: Engagement-level Inspection Results

In the 2020-2024 surveys, certain IFIAR Members provided additional details regarding findings. Not all Members reporting listed PIE audit inspection findings provided this supplemental information.

Table B.4 Listed PIE Audits

2020-2024 Supplemental Details on Nature of Findings for Select Inspection Themes

Inspection Theme	Theme Sub Category	Number of Findings				
		2020	2021	2022	2023	2024
Accounting Estimates, including Fair Value Measurement	**Reasonableness of assumptions** - When testing an accounting estimate, failure to assess the reasonableness of assumptions including consideration of contrary or inconsistent evidence where applicable	102	83	77	56	62
	Failure to sufficiently test the **accuracy of the data**	34	26	31	40	27
	Failure to perform sufficient **risk assessment** procedures	28	16	18	19	21
	Failure to take **relevant variables** into account	6	11	7	13	9
	Failure to adequately consider **indicators of bias**	11	13	5	9	4
	Failure to evaluate how management considered **alternative assumptions**	4	4	2	4	1
Internal Control Testing	Failure to obtain sufficient persuasive evidence to support **reliance on manual internal controls**	71	76	52	46	68
	Failure to sufficiently test **information technology general and application controls**	8	29	50	65	55
	Failure to sufficiently **test controls over, or the accuracy and completeness of, data or reports** produced by management	38	34	31	48	44
	Failure to sufficiently evaluate the **severity of control deficiencies**	14	14	3	10	14
	Failure to adequately assess the **appropriateness of placing reliance** on the work of others	0	4	6	5	3
	Failure to appropiately **adjust testing as a result of ineffective controls**	5	5	4	2	3
Revenue Recognition	Failure to sufficiently understand the terms and conditions of **complex arrangements** and the impact on the accounting	37	31	16	24	28
	Failure to appropriately assess and respond to the **risk of fraud** in revenue recognition	13	7	10	11	14
	Failure to perform procedures to determine whether revenue was recorded in the **appropriate period**	17	13	12	4	10
Adequacy of Financial Statement Presentation and Disclosures	Failure to sufficiently consider the adequacy of footnote disclosures (excluding segment data)	46	30	57	47	30
	Failure to identify or assess appropriateness of financial statement classification or presentation, including the Statement of Cash Flows	44	30	29	25	27
	Failure to evaluate and test segment data presentation	3	5	2	0	2
Audit Sampling	Insufficient sample to reduce sampling risk to an acceptable low level	35	29	28	31	34
	Failure to design appropriate procedures to achieve the test objective, and/or to perform suitable alternative procedures when necessary	6	2	7	5	17
	Sample selected for testing is biased and/or not representative of the population	3	7	13	15	12
	Failure to investigate the nature and cause of any deviations and project misstatement to the population	0	5	11	3	8
Group Audits	Failure to sufficiently consider the nature, timing and extent of involvement with the component auditor's work including evidence of reviews performed	23	7	16	13	11
	Failure to develop a group audit plan (e.g. scoping) and/or appropriately communicate instructions to the component auditor	8	10	8	4	3
	Failure to appropriately resolve issues identified by the component auditor	2	0	2	1	3
	Failure to appropriately calculate materiality for the group and the related component audits	3	4	5	1	0

Appendix B: Engagement-level Inspection Results

Section 2: SIFI Audits Inspected

The IFIAR survey collects inspection data specific to audits of SIFIs. These SIFIs include both banks and insurance companies. Some of these SIFIs are considered global SIFIs.[5] Many are listed companies and, therefore, the findings from inspections of these SIFIs also are included in the survey's listed PIE inspection results.

The number of SIFI audits inspected is lower than listed PIE audits inspected due to the limited number of financial institutions deemed to be SIFIs. In addition, the focus of Members' inspection programs change year-over-year, leading to fluctuations in the number of SIFIs inspected in any given year. Trends in survey data for this limited population therefore provide limited information.

SIFI Audit Inspection Findings

Globally, the number of SIFIs is significantly smaller than the number of listed PIEs. The small number of SIFIs in certain jurisdictions may introduce confidentiality considerations that prevent a Member from reporting SIFI inspection results for purposes of the survey. Further, in some jurisdictions, the IFIAR Member responsible for audit oversight of listed PIE audits may not have authority for oversight of financial institution audits. For these reasons, the survey reports on a significantly lower number of inspected SIFI audits than of inspected listed PIE audits. While IFIAR's cautions on seeking to analyze trends in survey results apply to all areas of the survey, this is particularly important with the relatively small population of SIFIs.

	2020	2021	2022	2023	2024
Members reporting SIFI results	16	13	18	17	14
Number of SIFI audits inspected	27	28	39	46	22
Number of audits with at least one inspection finding	14	12	13	21	7
Percentage of SIFI audits with at least one inspection finding	52%	43%	33%	46%	32%

The table below provides details from the 2020-2024 surveys for the calculation by inspection theme of the percentage of SIFI audits with at least one inspection finding.

[5] Based on data published by the Financial Stability Board regarding financial institutions that are considered systemically-important globally, or G-SIFIs (*see* the FSB press releases on global systemically important banks and global systemically important insurers).

Appendix B: Engagement-level Inspection Results

Table B.5 SIFI Audits

2020-2024 Survey Results: Audits Inspected with at Least One Finding by Inspection Theme

Inspection Theme	2020			2021			2022			2023			2024		
	Number of SIFI Audits in which the Topic was Inspected	SIFI Audits with at Least One Finding		Number of SIFI Audits in which the Topic was Inspected	SIFI Audits with at Least One Finding		Number of SIFI Audits in which the Topic was Inspected	SIFI Audits with at Least One Finding		Number of SIFI Audits in which the Topic was Inspected	SIFI Audits with at Least One Finding		Number of SIFI Audits in which the Topic was Inspected	SIFI Audits with at Least One Finding	
		#	%		#	%		#	%		#	%		#	%
Audit Methodology, including Programs and Tools	11	0	0%	18	2	11%	16	5	31%	22	4	18%	8	1	13%
Audit of Allowance for Loan Losses and Loan Impairments	26	11	42%	26	4	15%	23	7	30%	32	6	19%	17	2	12%
Substantive Analytical Procedures	12	2	17%	17	0	0%	18	4	22%	22	2	9%	9	1	11%
Internal Control Testing	18	7	39%	26	7	27%	30	2	7%	37	6	16%	19	2	11%
Testing of Customer Deposits and Loans	12	2	17%	15	0	0%	15	3	20%	22	4	18%	11	1	9%
Use of Experts and Specialists	15	2	13%	21	1	5%	20	2	10%	24	6	25%	13	0	0%
Adequacy of Financial Statement Presentation and Disclosures	19	0	0%	19	3	16%	23	2	9%	25	6	24%	11	0	0%
Group Audits	7	1	14%	16	1	6%	10	1	10%	20	3	15%	6	0	0%
Fraud Procedures	12	1	8%	20	1	5%	20	4	20%	27	4	15%	14	0	0%
Going Concern	3	0	0%	11	0	0%	16	1	6%	15	2	13%	6	0	0%
Valuation of Investments and Securities	16	4	25%	19	3	16%	17	0	0%	23	2	9%	12	0	0%
Risk Assessment	17	2	12%	26	1	4%	28	5	18%	36	3	8%	21	0	0%
Audit of Insurance Contract Liabilities	2	0	0%	8	1	13%	7	0	0%	12	1	8%	3	0	0%
Insufficient Challenge and Testing of Management's Judgments and Assessments	13	2	15%	20	3	15%	21	4	19%	20	1	5%	8	0	0%
Audit Committee Communications	17	1	6%	24	1	4%	28	1	4%	31	1	3%	18	0	0%
Audit Report	19	0	0%	22	2	9%	25	2	8%	36	1	3%	19	0	0%

While the table above details the number of SIFI audits with at least one finding, the table below provides the total number of findings by inspection theme for each year the survey was conducted. Note that an inspected SIFI audit may have more than one finding under a single inspection theme. Because of this, the total number of findings for some themes (per the table below) exceeds the number of SIFI audits with at least one finding (per the table above) for that theme.

Appendix B: Engagement-level Inspection Results

Table B.6 SIFI Audits

2020-2024 Survey Results: Total Number of Findings by Inspection Theme

Inspection Theme	2020	2021	2022	2023	2024
Internal Control Testing	17	10	3	6	3
Audit of Allowance for Loan Losses and Loan Impairments	20	4	7	6	2
Audit Methodology, including Programs and Tools	0	5	6	4	1
Testing of Customer Deposits and Loans	2	0	4	4	1
Substantive Analytical Procedures	2	0	4	2	1
Adequacy of Financial Statement Presentation and Disclosures	0	3	2	6	0
Use of Experts and Specialists	4	1	2	6	0
Fraud Procedures	1	1	4	4	0
Group Audits	1	1	1	3	0
Risk Assessment	4	2	7	3	0
Going Concern	0	0	1	2	0
Valuation of Investments and Securities	4	3	0	2	0
Audit of Insurance Contract Liabilities	0	1	0	1	0
Insufficient Challenge and Testing of Management's Judgments and Assessments	3	3	6	1	0
Audit Report	0	10	3	1	0
Audit Committee Communications	2	1	1	1	0

Appendix C:
About IFIAR and the Survey of Inspection Findings

About IFIAR

IFIAR is a membership organization of audit regulators that are independent from the audit profession.[6] IFIAR's membership includes 56 audit regulators from jurisdictions from Africa, North America, South America, Asia, Oceania, and Europe. IFIAR focuses on the following activities:

- Sharing knowledge of the evolving audit environment and practical experience of independent audit regulatory activity,
- Promoting collaboration and consistency in regulatory activity, and
- Providing a platform for dialogue with other international organizations that have an interest in audit quality.

An audit firm network is composed of individual audit firms that are members of a global organization. Many audits today involve practitioners from network member firms in a number of countries. The audit of a multinational company may involve significant work performed by many, legally separate audit firms that operate as a network. The audit firms within the network often have a common name and common auditing, quality control, and ethics policies and requirements. The multinational aspects of audit, and the involvement of many local audit firms that are members of a global firm network, call for collaboration by regulators globally.

Through IFIAR, audit regulators seek to coordinate their understanding and assessments of trends in and challenges to audit quality. IFIAR's work positions its Members to evaluate the various issues discussed at the global level with the member firms in their own jurisdictions. Exchanges of perspectives and experiences with fellow IFIAR Members reinforces audit regulators' efforts to promote an audit function that provides the expected degree of confidence in financial reporting.

The Inspection Findings Survey

In 2012, IFIAR initiated an annual survey of findings resulting from its Members' inspections of audit firms affiliated with the six largest global audit firm networks.[7] The aim of the survey is not to measure empirically, or for statistically significant, changes in audit quality; rather, the survey indicates areas of common audit shortcomings and their trends over time, and informs IFIAR's efforts to identify areas for discussion among regulators and with audit firm networks and other stakeholders in audit quality.

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[6] More information on IFIAR and its activities can be found at www.ifiar.org.

[7] See here for past survey reports. Prior to the 2015 survey, Members also could choose to report inspection findings related to other firms considered significant in the reporting Members' jurisdictions (*see* footnote 10 of the 2015 survey report for information about the impact of this change).

Appendix C: About IFIAR and the Survey of Inspection Findings

The survey relates to two types of findings communicated in writing to an inspected member firm in a formal inspection report at the conclusion of an inspection: (1) those related to audit engagements and (2) those related to the member firms' firm-wide systems of quality control. With respect to audit engagement findings related to a financial statement balance or disclosure, a deficiency is either a matter with respect to which the member firm did not obtain sufficient audit evidence to support its opinion or a failure to identify or address a material, or likely potential material, error in the application of an accounting principle. With respect to all other themes, a deficiency is a departure from auditing standards or requirements, including standards on quality control and ethics and independence requirements that may or did have an effect on audit quality, either due to the significance or systemic nature of the departure. Quality control findings relate to processes and procedures employed on a firm-wide basis by the firm subject to inspection, rather than to work performed on specific audit engagements.

There may be a substantial passage of time from when an audit is completed until an inspection is performed, a final report issued, and the inspections results are reported in IFIAR's survey. Due to this reporting time lag, actions already under way to improve audit quality may take time to be reflected in IFIAR's published survey results. Therefore, the survey is a lagging indicator and may not reflect the state of the auditing profession at the current time. (See Appendix B, Figure B.7 for information collected in the 2024 survey to understand the extent of the lag.)

IFIAR Members are instructed not to report findings from more than one annual inspection cycle, and to report only on findings related to member firms located in their jurisdiction. Therefore, the findings from no more than one inspection report per member firm are submitted for the survey.

All IFIAR Members are asked to respond to IFIAR's surveys of inspection findings.[8] The surveys solicit data on Members' findings from inspections of:

- member firms' firm-wide systems of ***quality control***;
- audits of ***listed PIEs***, including any listed SIFIs; and
- audits of ***SIFIs***, whether or not a listed entity.[9]

In all years, information was collected on the total number of inspection findings by inspection theme. Respondents reported findings categorized into 17 inspection themes for audits of listed PIEs. Separately, the survey solicited data on findings from inspections of audits of G-SIFIs and other SIFIs, reported using 16 inspection themes relevant to audits of financial institutions. For

[8] IFIAR Members from the following jurisdictions participated in the 2024 survey: Albania, Australia, Austria, Belgium, Botswana, Brazil, Canada, Cayman Islands, Chinese Taipei, Croatia, Cyprus, Czech Republic, Denmark, Dubai International Financial Centre, Finland, France, Georgia, Germany, Gibraltar, Greece, India, Indonesia, Ireland, Italy, Japan, Korea, Lithuania, Luxembourg, Malaysia, Mauritius, Netherlands, New Zealand, Norway, Philippines, Poland, Portugal, Romania, Saudi Arabia, Singapore, Slovakia, Slovenia, South Africa, Spain, Sri Lanka, Sweden, Switzerland, Thailand, Türkiye, Ukraine, United Kingdom, and United States.

[9] The survey also collected findings data on inspections of global SIFIs, or G-SIFIs. Due to national confidentiality limitations and the limited number of G-SIFIs, IFIAR does not publish the results of G-SIFI audit inspections but considers this information for internal purposes.

each inspection theme, Members reported 1) the number of audits inspected, 2) the number of inspected audits with at least one finding, and 3) the total number of findings. The frequency of findings by theme is calculated as the number of inspected audits with at least one finding divided by the number of audits inspected for that theme. Findings from inspections of firm-wide systems of quality control were reported using six themes. For each quality control inspection theme, Members reported 1) the number of member firms inspected, 2) the number of inspected member firms with at least one finding, and 3) the total number of findings. The frequency of findings by quality control theme is calculated as the number of inspected member firms with at least one finding divided by the number of member firms inspected for that quality control theme.

The survey also included questions about Members' observations from their inspection activities, with particular focus on practices related to root cause analysis.

The approach taken for the 2024 survey was generally consistent with that used in prior surveys. A new data point capturing the average number of findings per listed PIE inspected with findings was added. The survey plans to track this data point in subsequent years. Previously, changes were made to the engagement inspection themes.

- A new quality control sub-theme of "Risk Assessment process not completed before the engagement letter issuance date and/or field work date" was added in 2021 in response to Members noting consistent findings in this area.

Individual Members' classification of findings may change over time, due in part to clarifications and additional instructions provided to assist Members in determining how to classify a finding that relates to multiple themes. For example, a finding about **risk assessment** related to **fraud procedures** in the area of **revenue recognition** could be placed under one of three themes (indicated in bold). To minimize differences in judgment between Members completing the survey, Members are periodically provided additional instructions to improve consistency of individual Members' approaches to reporting for purposes of the survey (in the example provided, under the "Revenue Recognition" theme).

Beginning with the 2016 survey, IFIAR provides additional guidance to Members to assist in their determination of which financial institutions are considered to be SIFIs in their jurisdiction. This effort is aimed at collecting data about this important category of reporting companies with aspects of financial reporting that require extensive judgment and estimates and, therefore, present particular audit considerations.

Appendix C: About IFIAR and the Survey of Inspection Findings

Beginning with the 2015 survey, reporting on findings is limited to inspections of a member firm of one of the six GPPC networks.[10] Not all GPPC networks' audit practices are of significant size in all IFIAR Member jurisdictions, and other firms not covered by this survey may play a significant role in certain jurisdictions. However, the GPPC networks include the six audit firm networks that are most common across IFIAR Members' jurisdictions, and IFIAR's discussions with audit firms to date have focused on the GPPC networks. Through its GAQ Working Group, IFIAR has deepened its discussions with the GPPC networks on findings, root cause analysis, and the networks' plans to take responsive action to improve audit quality. Collecting data about findings only on the member firms that are part of the GPPC networks should assist IFIAR in a targeted discussion with the networks on trends in findings and audit quality.

[10] IFIAR does not collect data by firm for the survey's inspection findings themes. Because of this, it has not adjusted prior survey information to remove findings related to audit firms that are not part of a GPPC network. To assess the general impact non-GPPC network audit firms had on survey results prior to 2015, IFIAR considered the total number of audit firms and listed PIE audits inspected, and the frequency at which those audits had at least one finding. The 2014 survey included findings from 62 listed PIE audits inspected at 18 non-GPPC network audit firms. Had these inspection results been excluded from the 2014 survey, the frequency of listed PIE audit files inspected and with at least one finding would have been 46%; this compares to 47% with these non-GPPC network audit firms included, as reported in the report on the 2014 survey. The exclusion of findings from inspections of non-GPPC network audit firms in the 2015 survey is not expected to have a significant impact on general trends or frequency of inspection themes.