

Press Release Thematic Review – 30 June 2015

International Forum of Independent Audit Regulators (IFIAR)



***"Reporting inspection findings to audit committees may enhance audit quality",
says IFIAR Chair Janine van Diggelen.***

As part of its mission to serve the public interest and protect the investing public, IFIAR supports increased transparency and enhanced communication amongst stakeholders in the financial reporting chain. In this regard, IFIAR is interested in the emerging trend whereby inspection findings are also being shared with the audit committee. IFIAR will monitor this trend in the coming years to better understand the practices being followed, including the perceived advantages and disadvantages of each. Communicating inspection findings to audit committees could improve the information available to them about the auditor, which could contribute to audit quality.

To demonstrate its own commitment to transparent reporting, IFIAR and many of its members issue public reports on inspection findings with a view of informing investors and other stakeholders about audit quality.

The majority of audit regulators who are IFIAR members have incorporated risk-based programs for inspections of audits of public interest entities. These programs include such measures as assigning a risk rating to firms and/or to individual audit files. A risk-based program can enhance both the efficiency and effectiveness of oversight activities while focusing efforts on auditors and industries which pose higher risk to investors and the public.

The majority of respondents do not use a threshold for reporting individual findings, choosing instead to report all findings related to the inspections of audits or quality control either orally and/or in writing. Furthermore, almost all audit regulators discuss the draft report with the firms before an inspection report is finalized and have a process in place for the remediation of findings. This is an important step in the inspections process which demonstrates that audit regulators and auditors share a common objective of improving audit quality.

IFIAR has developed a common definition of an inspection finding which provides helpful terminology for discussions both within IFIAR and with the largest global audit networks on common types of issues identified in inspection programs.

The full report is available on the website of IFIAR: www.ifiar.org.